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FREIGHT RATES

OFFICIAL CLASSIFICATION TERRITORY AND EASTERN CANADA

ONE OF A SERIES OF TREATISES IN AN INTERSTATE
COMMERCE AND RAILWAY TRAFFIC COURSE

C. C. McCAIN
Chairman, Trunk Line Association

JOHN P. CURRAN
Of the Central Freight Association

PART 1
INTRASTATE RATES
INTRATERRITORIAL RATES

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INTERSTATE COMMERCE AND RAILWAY TRAFFIC COURSE

The subjects listed below constitute the basic material of a course in Interstate Commerce and Railway Traffic. This course is especially designed to meet the constantly growing demand for efficiently trained men in railroad and industrial traffic work; to assist students to pass the examinations for government service under the Interstate Commerce Commission; and to meet the demand for men competent to direct the work of commercial organizations and traffic bureaus. With the exception of the Atlas of Railway Traffic Maps, the subjects listed below are covered in an average of approximately 200 pages each.

Atlas of Railway Traffic Maps
Traffic Glossary
Freight Classification; Some Ways of Reducing Freight Charges
Freight Rates; Western Territory; Bases for Freight Charges
Freight Rates; Official Classification Territory and Eastern Canada; Industrial Traffic Department
Freight Rates; Southern Territory
Publication and Filing of Tariffs
Freight Claims; Investigation of Freight Claims; Routing Freight Shipments; The Bill of Lading; A Primary Lesson in Transit; Demurrage
Railway Organization; Statistics of Freight Traffic; Railway Accounting
The Express Service and Rates
Ocean Traffic and Trade
Railway Regulation
The Act to Regulate Commerce and Supplemental Acts
Conference Rulings; Procedure Before the Interstate Commerce Commission; Grounds of Proof in Rate Cases
Application of Agency Tariffs
The Law of Carriers of Goods
Practical Traffic Problems

LASALLE EXTENSION UNIVERSITY

FREIGHT RATES

OFFICIAL CLASSIFICATION TERRITORY AND EASTERN CANADA

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PREFACE

In offering this work to the public, the authors wish to state that it is designed with a view to setting forth the underlying principles and bases employed in constructing rates in the so-called Official Classification Territory. The rates used in the illustrations may be expected to change slightly from time to time, but this will not affect the general worth of the book, since the relationship of points is at all times preserved to some degree. The difficulties attending the preparation of a work in which specific rates are used can well be appreciated by men actually engaged in traffic work.

In preparing this treatise, the authors have availed themselves of the published bases for rate construction employed in Central Freight Association, Trunk Line Association, and New England Freight Association territories. In addition thereto, many railway officials and traffic experts have been consulted and information acquired through personal interviews and correspondence. The authors wish to express their appreciation of the assistance received from these sources.

The authors are under special obligation to Ralph E. Riley, of the LaSalle Extension University, for the assistance rendered in preparing the maps and diagrams and illustrations; to Asa Colton, of the same institution, who assisted in the preparation of the manuscript and offered many valuable suggestions; and also to Miss C. E. Brant for the assistance she rendered in preparing the manuscript for the printer, and in editing and revising proofs with such care that she corrected many inaccuracies that would otherwise have found their way into the text.

C. C. McC.

J. P. C.

V.	THE CHICAGO AND OHIO RIVER RATE ADJUSTMENT—Continued	
	Lower Crossings.....	62
	Grouping of Points of Origin.....	63
	Grouping of Points of Destination.....	65
	Proportional Rates.....	67
VI.	ADJUSTMENT IN TRUNK LINE FREIGHT ASSOCIATION TERRITORY	
	Development.....	70
	Adjustment to Interior Points.....	72
	Commodity Rates.....	79
VII.	ADJUSTMENT IN NEW ENGLAND FREIGHT ASSOCIATION TERRITORY	
	Traffic Characteristics.....	80
	Rates of Transportation.....	81
	The New England Scale of Class Rates.....	84
	Class Relationship.....	86
	Application of Scale.....	86
	Class-B Rates.....	87
VIII.	THE NEW YORK-CHICAGO PERCENTAGE RATE SYSTEM	
	Origin.....	93
	Application of System.....	96
	Eastbound v. Westbound Groups.....	98
	Modifications.....	99
	Federal Approval.....	102
IX.	THE NEW YORK-CHICAGO PERCENTAGE RATE SYSTEM—Continued	
	Routes.....	105
X.	ALL-RAIL RATES WESTBOUND	
	From New York and New York Rate Points to Western Percentage Groups.....	111
XI.	ALL-RAIL RATES WESTBOUND—Continued	
	The Adjustment of Rates from Other Eastern Basing Points.....	121
XII.	ALL-RAIL RATES WESTBOUND—Continued	
	Adjustment of Rates from Other Eastern Base Points.....	140
	Bases for Rates from Interior Groups.....	147
	Fourth Section Violations.....	155

CONTENTS

vii

XIII.	ALL-RAIL RATES EASTBOUND Class Rates.....	161
XIV.	ALL-RAIL RATES EASTBOUND—Continued Commodity Rates.....	173
XV.	ALL-RAIL RATES EASTBOUND—Continued Specific Commodity Adjustments..... To Eastern Base Points Other Than New York Reshipping Rates.....	184 190 195
XVI.	ALL-RAIL RATES EASTBOUND—Continued Specific Commodity Adjustments—Continued.	199
XVII.	ALL-RAIL RATES EASTBOUND—Continued Specific Commodity Adjustments—Continued. To Other Eastern Base Points.....	207 211
XVIII.	ALL-RAIL RATES EASTBOUND—Continued Specific Commodity Adjustments—Continued.	215
XIX.	DIFFERENTIAL RATES Ocean-and-Rail and Rail-and-Ocean Rates.....	223
XX.	DIFFERENTIAL RATES—Continued Lake-and-Rail Rates.....	228
XXI.	DIFFERENTIAL RATES—Continued Lake-and-Rail Rates—Continued..... Rail-and-Lake and Rail-Lake-and-Rail Rates from C. F. A. Territory..... Ocean-Rail-and-Lake Rates..... River-Canal-and-Lake Rates.....	237 238 241 241
XXII.	WESTERN TERMINI ADJUSTMENT Rates to and from Western Termini Points.... General Commodity Rates..... Rates on Grain and Grain Products..... Rates on Live Stock and Dressed Meats..... Rates on Iron and Steel Articles.....	247 251 254 254 254
XXIII.	WESTERN TERMINI ADJUSTMENT—Continued Rates to Points Adjusted with Reference to Western Termini Points..... Rules Governing the Arbitraries upon Articles Taking Special Commodity Rates to the Foregoing Base Points.....	256 260

XXIV.	SPECIAL ADJUSTMENTS	
	The Virginian Railway.....	263
XXV.	SPECIAL ADJUSTMENTS—Continued	
	Rates between Points East of the Western Termini and St. Paul, Minn., and Points West of Lake Michigan.....	270
	Rates between Trans-Mississippi Territory and Points East of the Western Termini.....	275
	Rates from C. F. A. Territory to Mississippi Valley Points.....	276
	Rates from Points East of the Illinois-Indiana State Line to Points in Green Line Terri- tory.....	276
XXVI.	CANADIAN FREIGHT RATES	
	Eastern Provincial Rates.....	280
	Western Provincial Rates.....	286
	Inter-Regional Rates.....	288
	Commodity Rates.....	290
XXVII.	CANADIAN FREIGHT RATES—Continued	
	Adjustment of Rates from and to Central Freight Association Territory.....	292
XXVIII.	CANADIAN FREIGHT RATES—Continued	
	Adjustment of Rates to Base Points East of Toronto.....	303
	Exceptions to Application of Canadian Rate Basis.....	306
	Commodity Rates.....	311
XXIX.	CANADIAN FREIGHT RATES—Continued	
	Trunk Line Rates.....	314
	Adjustment of Rates from Other Eastern Points of Origin.....	315
	Rates via Differential Routes.....	319
	Southbound Rates.....	321
	Differential Rates between Points in the United States.....	322
XXX.	CANADIAN FREIGHT RATES—Continued	
	Rates on Export Traffic.....	328

FREIGHT RATES

OFFICIAL CLASSIFICATION TERRITORY AND EASTERN CANADA

INTRODUCTION

TERRITORIAL DESCRIPTION

In the treatise on *Freight Classification* it was stated that in many cases a specified classification governs beyond the boundaries of the territory bearing its name. Under the heading "Official Classification Boundaries and General Application" in the treatise on *Freight Classification* it was shown that in a number of cases the Official Classification governs beyond the boundaries of the territory shown as Official Classification Territory in the *Atlas of Railway Traffic Maps*.¹ To ascertain the general reason which causes the "overlap" of the Official Classification into adjoining territory, it will be well to note a few of the overlaps as disclosed in the following pages.

1. The competition between Canadian lines serving such cities as Montreal and Quebec, Que., St. Johns, N. B., and Halifax, N. S., and American lines serving North Atlantic Ports, from Portland, Me., to Newport News, Va., has compelled the carriers, in many cases, to use the Official Classification between points in eastern Canada and the United States.

2. On the south competitive conditions prevail where the Chesapeake & Ohio Railway and Norfolk and Western

¹ See Map 1, *Atlas of Railway Traffic Maps*.

Railway (traversing Southern Territory) compete for traffic to and from the seaboard with the New York Central Lines, Pennsylvania Lines, Baltimore & Ohio System, and other northern routes. In order to compete on an equitable basis, the rate adjustments of the different roads must be built upon the same lines and must be subject to the same rules, regulations, and classification. Here again we find that the limits of the territory have been extended somewhat.

3. Similarly, on the west certain competitive elements exist. On the eastern shore of Lake Michigan, Grand Haven, Manistee, Ludington, etc., mark the termini of several eastern rail routes. In order to attract tonnage to their rails, they have extended the Chicago² rate basis to and from such west-bank ports as Milwaukee, Marinette, Manitowoc, and Kewanee, Wis. The traffic is transported across Lake Michigan either as cargo (break-bulk) freight or in cars on car-ferry boats.

4. Still again, Chicago, Ill., St. Louis, Mo., on the one hand, and Duluth and St. Paul, Minn., on the other, are rivals for rate supremacy in supplying the west and northwest with products that they require. As both Chicago and St. Louis have for years drawn their supplies from the east under rates of transportation governed by the Official Classification, it was perfectly natural that the northern lines radiating from Duluth and St. Paul throughout the north and northwest established routes over which rates were established governed by the Official Classification which minimized advantages possessed in this respect by the southern cities.

One word will suffice to explain the so-called over-lap of these territorial rate adjustments and that is "Competition." It may be the competition between carriers (such as that between the Chesapeake & Ohio Railway

² Chicago is in 100% territory.

and the Baltimore & Ohio System), or between territories (such as that between Canadian ports and ports in this country), or between transportation routes (such as that between the car-ferry routes across Lake Michigan and the all-rail routes via Chicago and Chicago Junctions), or between municipalities (such as that between Chicago, Ill., and Duluth, Minn., on traffic to or from the West). One or all of these phases of competition may account for the extension of a certain rate adjustment beyond the territorial limits proper.

SUBDIVISION OF TERRITORY

Official Classification Territory is divided into three rate territories, having associations as follows: (1) the New England Freight Association,^{3 6} which has jurisdiction over rates established or proposed on traffic moving between points in the New England States; (2) the Trunk Line Freight Association,^{4 6} which has jurisdiction over rates on traffic moving between points in Trunk Line Freight Association Territory; and (3) the Central Freight Association,^{5 7} which has jurisdiction over rates on traffic moving between points in that part of the middle-western states which is not under the jurisdiction of the Trunk Line Freight Association.

FREIGHT ASSOCIATIONS

These associations are composed of the principal roads operating within or through the respective territories. Like many associations, they are comprised of principal and subordinate committees, the principal committee usually being the executive committee, which directs the general administrative affairs of the association.

³ L. H. Kentfield, Chairman, New Haven, Conn.

⁴ C. C. McCain, Chairman, 143 Liberty St., New York, N. Y.

⁵ Eugene Morris, Chairman, Transportation Bldg., Chicago, Ill.

⁶ See Map 8, *Atlas of Railway Traffic Maps*.

⁷ See Map 2, *Atlas of Railway Traffic Maps*.

The various business questions coming before the association are usually assigned to appropriate committees delegated to deal with such matters. The multiplicity of rate and traffic questions has necessitated the creation of many subordinate committees, such as the brick committee, the grain committee, the live stock and dressed meats committee, the import rate committee, the terminal and lighterage committee, etc.

The membership of the executive committee usually consists of vice-presidents in charge of traffic or the chief traffic officer, while the other committees are comprised of such officers as may be in charge of particular traffic. The development of these associations and committees in recent years has been rapid, particularly in the freight departments, and there are few roads at this time whose freight traffic officers are not members of some association or one or more committees thereof.

The increasing activities of national and state commissions and the innumerable decisions and regulations emanating from these bodies have added greatly to the subjects which must necessarily receive joint consideration by the carriers. It is publicly recognized that uniformity in rates by different routes, as well as any regulations affecting the movement of traffic, is essential in order that there shall be equality of charges and service to those who employ the railroads. It is only through some centralized association or committee that these matters can be suitably arranged and adjusted.

The Interstate Commerce Commission and various state commissions recognize and seek the co-operation of these associations as a convenient medium for the expeditious and uniform handling of matters affecting all carriers that are members thereof. Further, the utility of these associations is recognized by commercial bodies and by a large class of the shipping public who now understand that most questions of rate adjustment are

of a competitive character, involving many points commercially competitive, and are, therefore, of concern to many carriers, and that consideration and disposition thereof can be most satisfactorily conducted by conference through these associations.

From the carriers' standpoint it may be said that there are few questions of rate construction or traffic regulation that are now considered by these associations independently of their relation to, or effect upon, commercial interests, and it rarely occurs that important changes are made which have not to some extent been a matter of discussion with commercial bodies, interested shippers, or representatives of particular traffic or localities.

These associations are created and maintained by the railroads for the primary purpose of adjusting all questions of rate construction and collateral rules and regulations which are of common, competitive interest to members, and to secure the stability of reasonable rates and arrangements and the observance of the requirements of the law governing the same. There are no restrictive rules or penalties governing members, nor is there any curtailment of each carrier's rights independently to establish such rates and regulations as it may wish.

These associations are now recognized as an indispensable department of the carriers for the convenient and expeditious handling of the innumerable subjects relating to rates and traffic which must receive uniform treatment if the fundamental principles of the law are to be met by the carriers.

TRAFFIC CHARACTERISTICS

This territory, in so far as area is concerned, constitutes but one-ninth of that of the United States. It possesses, however, all of the attributes that make for low transportation charges.

NATURE OF THE COUNTRY

To begin with, the nature of the country, which is comparatively level east and west of the Allegheny Mountains, admits of an initial cost of construction and a subsequent cost of operation which are much lower, in all respects, than the high construction and operating costs, combined with light traffic, in the west and south.

DENSITY OF POPULATION

The following tabulation gives the population of the various states comprising the respective rate associations, the grand total constituting approximately one-half of the population of this country.

NEW ENGLAND FREIGHT ASSOCIATION TERRITORY^s

Connecticut	1,114,756
Maine	742,371
Massachusetts	3,366,416
New Hampshire	430,572
Rhode Island	542,610
Vermont	355,956
Total	6,552,681

TRUNK LINE FREIGHT ASSOCIATION TERRITORY

Delaware	202,322
Maryland	1,295,346
New Jersey	2,537,167
New York	9,113,614
Pennsylvania	7,665,111
District of Columbia	331,069
Total	21,144,629

^s It will be noted in the following tabulation that neither Virginia nor West Virginia is included therein, nor is the population of such points as St. Louis, Mo., Louisville, Ky., and other centers included, as it is believed that the states selected will fully emphasize the point at issue.

INTRODUCTION

7

CENTRAL FREIGHT ASSOCIATION TERRITORY

Illinois	5,638,591
Michigan	2,810,173
Ohio	4,767,121
Indiana	2,700,876
Total	<u>15,916,761</u>
Grand total ⁹	<u>43,614,071</u>

The following tabulation shows that the density of railroad mileage and the per cent of the total mileage of the United States, as well as the number of miles of railroad for 100 miles of territory, are equally as favorable to this section of the country.

NEW ENGLAND FREIGHT ASSOCIATION TERRITORY

State	Official Mileage	Proportion to Total Mileage in U. S.	Number of Miles per 100 Square Miles of Territory
Connecticut	999.04	.39	20.73
Maine	2275.57	.90	7.61
Massachusetts	2131.01	.84	26.51
New Hampshire ..	1255.85	.49	13.91
Rhode Island	202.96	.08	19.02
Vermont	1073.38	.42	11.76
	<u>7937.81</u>	<u>3.12</u>	

TRUNK LINE FREIGHT ASSOCIATION TERRITORY

Delaware	334.97	.13	17.04
Maryland	1433.97	.56	14.42
New Jersey	2314.67	.91	30.80
New York	8534.15	3.36	17.91
Pennsylvania	11692.57	4.61	26.08
D. of C.	36.23	.01	60.38
	<u>24356.56</u>	<u>9.58</u>	

⁹ 1910 Census.

FREIGHT RATES

Live stock	5,965,944
Dressed meats	3,864,129
Other packing-house products.....	2,817,396
Poultry, game, and fish.....	1,352,017
Wool	627,764
Hides and leather.....	1,920,964
Other products of animals.....	4,852,831
Total	21,401,045

The products of mines constituted the greatest amount of tonnage for any of the single subdivisions and were distributed as follows:

Anthracite coal	115,884,146
Bituminous coal	313,347,414
Coke	38,502,745
Ores	41,257,363
Stone, sand, and other like products.....	67,919,391
Other products of mines.....	7,907,919
Total	584,818,978

The tonnage derived from forest products was assigned as follows:

Lumber	41,212,566
Other products of forests.....	12,392,548
Total	53,605,114

That manufacturing is engaged in to a greater extent in Official Classification Territory than in other territories is best evidenced by the fact that the amount of tonnage of manufactured articles moving in this territory was over two times as great as that for the balance of the country. The tonnage was distributed as follows:

Petroleum and other oils.....	12,141,894
Sugar	3,731,291
Naval stores	617,011
Iron, pig and bloom.....	13,511,613
Iron and steel rails.....	3,241,708

INTRODUCTION

11

Other castings and machinery	14,485,301
Bar and sheet metal	22,893,138
Cement, brick, and lime	40,814,615
Agricultural implements	1,029,887
Wagons, carriages, and tools	2,806,311
Wines, liquors, and beers	3,172,048
Household goods and furniture	1,919,722
Other manufactures	52,128,916
Total	172,493,455
 Merchandise	 39,155,369
Miscellaneous	45,442,700
 Grand total (in tons)	 1,001,399,052

With such an immense amount of traffic it is only natural that the rates in this territory have been and are on a lower basis than obtains in other sections of the country. In the subsequent chapters it is the author's purpose to set forth the various adjustments or bases for rate construction that are employed in making the rates on which the greater part of this tonnage is moved.

14 FREIGHT RATES—OFFICIAL TERRITORY

These roads are compelled by law, in publishing their rates, not to exceed the rates shown in Table 1.

Class B includes the smaller lines:

Calumet Western Ry.	Iowa Central Ry.
Chicago & Illinois Midland Ry.	Kankakee & Seneca R. R.
Chicago & Illinois Western R. R.	La Salle & Bureau County R. R.
Chicago, Peoria & St. Louis R. R.	Litchfield & Madison Ry.
Chicago, Peoria & Western Ry.	Louisville & Nashville R. R.
Chicago Union Transfer Ry.	Peoria Railway Terminal Co.
Chicago, West Pullman & Southern R. R.	Quincy, Omaha & Kansas City R. R.
Davenport, Rock Island & Northwestern Ry.	St. Louis & O'Fallon Ry.
East St. Louis Connecting Ry.	St. Louis, Troy & Eastern R. R.
Galesburg & Great Eastern R. R.	Terre Haute & Peoria R. R.
Illinois Northern Ry.	Toledo, Peoria & Western Ry.
Illinois Southern Ry.	Toledo, St. Louis & Western R. R.
Illinois Terminal R. R.	Toluca, Marquette & Northern R. R.
Illinois Valley Belt R. R.	Wabash, Chester & Western R. R.
	Waukegan & Mississippi Valley Ry.

Class B also includes the electric interurban lines. The roads in this class are entitled to add 10 per cent to the rates shown in Table 1 for Classes 1 to 5, inclusive, and 5 per cent to the rates for Classes 6 to 10, inclusive, and to such commodity rates as may be established.

In the event that the name of any of the companies is changed or that control is assumed by another line, that fact will not serve to change the class of such railroad or railroads unless sanctioned by the Public Utilities Commission of Illinois.

TABLE 1
RATES FOR CLASS-A ROADS

DISTANCES	RATES ¹ IN CENTS PER 100 POUNDS									
	Classes									
	1	2	3	4	5	6	7	8	9	10
2 miles and under	7.5	6.	5.3	4.5	3.6	2.5	2.3	2.2	1.9	1.8
4 " " over 2 miles	9.	7.5	6.8	5.3	4.2	3.2	2.9	2.8	2.4	2.2
6 " " " 4 "	10.5	9.	7.5	6.	4.8	4.2	3.9	3.7	3.2	2.9
10 " " " 6 "	12.	10.5	9.	6.8	5.4	5.1	4.8	4.2	3.7	3.4
15 " " " 10 "	13.5	12.	10.5	7.5	6.	5.9	5.6	4.7	4.	3.5
20 " " " 15 "	15.	13.5	11.3	8.3	6.6	6.3	6.	5.1	4.2	3.8
25 " " " 20 "	16.5	15.	12.	9.	7.2	6.8	6.5	5.6	4.4	4.
30 " " " 25 "	18.1	15.8	12.8	9.6	7.7	7.2	6.9	6.	4.7	4.2
35 " " " 30 "	19.6	16.5	13.5	10.2	8.1	7.6	7.1	6.3	4.8	4.4
40 " " " 35 "	21.1	17.3	14.3	10.5	8.4	8.	7.8	6.5	5.	4.5
45 " " " 40 "	22.6	18.1	15.	10.9	8.7	8.5	8.2	6.7	5.2	4.7
50 " " " 45 "	23.3	18.8	15.8	11.3	9.	8.7	8.6	6.9	5.4	4.9

¹ Governed by the Illinois Classification.

INTRASTATE RATES

15

TABLE 1—Continued
RATES FOR CLASS-A ROADS

DISTANCES					RATES ¹ IN CENTS PER 100 POUNDS									
					Classes									
					1	2	3	4	5	6	7	8	9	10
55	"	"	"	50	24.1	19.6	16.5	11.7	9.3	9.2	8.9	7.1	5.6	5.
60	"	"	"	55	24.8	20.3	17.3	12.	9.6	9.5	9.1	7.3	5.8	5.2
65	"	"	"	60	25.6	21.1	18.	12.4	9.9	9.7	9.3	7.5	6.	5.4
70	"	"	"	65	26.3	21.8	18.4	12.8	10.2	9.9	9.5	7.7	6.1	5.5
75	"	"	"	70	27.1	22.6	18.8	13.2	10.5	10.2	9.7	7.9	6.3	5.6
80	"	"	"	75	27.8	23.3	19.	13.5	10.8	10.7	10.3	8.	6.4	5.8
85	"	"	"	80	28.6	23.7	19.2	13.9	11.1	11.	10.5	8.2	6.5	5.9
90	"	"	"	85	29.3	24.1	19.5	14.3	11.4	11.2	10.7	8.4	6.7	6.
95	"	"	"	90	30.	24.4	19.7	14.7	11.7	11.5	10.8	8.6	6.9	6.2
100	"	"	"	95	30.8	24.8	19.9	15.	12.	11.7	11.	8.8	7.	6.3
105	"	"	"	100	31.6	25.2	20.2	15.3	12.3	11.9	11.2	9.	7.1	6.4
110	"	"	"	105	32.3	25.6	20.4	15.6	12.5	12.2	11.4	9.2	7.3	6.6
115	"	"	"	110	33.1	25.9	20.6	15.9	12.8	12.4	11.6	9.4	7.5	6.7
120	"	"	"	115	33.8	26.3	20.8	16.2	13.	12.6	11.7	9.5	7.6	6.8
125	"	"	"	120	34.2	26.7	21.1	16.5	13.2	12.7	11.9	9.7	7.8	7.
130	"	"	"	125	34.6	27.1	21.3	16.8	13.5	12.9	12.1	9.9	7.9	7.1
135	"	"	"	130	35.	27.5	21.5	17.1	13.7	13.1	12.2	10.1	8.	7.2
140	"	"	"	135	35.3	27.8	21.7	17.4	14.	13.3	12.4	10.3	8.2	7.4
145	"	"	"	140	35.7	28.2	22.	17.7	14.2	13.4	12.5	10.4	8.3	7.5
150	"	"	"	145	36.1	28.6	22.2	18.1	14.4	13.6	12.6	10.6	8.4	7.6
155	"	"	"	150	36.5	28.9	22.4	18.2	14.6	13.8	12.8	10.7	8.5	7.7
160	"	"	"	155	36.9	29.2	22.6	18.3	14.7	14.	12.9	10.9	8.6	7.8
165	"	"	"	160	37.1	29.5	22.9	18.5	14.8	14.2	13.	11.	8.7	7.9
170	"	"	"	165	37.5	29.8	23.1	18.7	14.9	14.3	13.1	11.1	8.8	8.
175	"	"	"	170	37.7	30.1	23.3	18.8	15.	14.5	13.2	11.2	8.9	8.1
180	"	"	"	175	38.	30.4	23.5	18.9	15.2	14.6	13.3	11.4	9.	8.2
185	"	"	"	180	38.4	30.7	23.8	19.1	15.3	14.7	13.4	11.5	9.1	8.3
190	"	"	"	185	38.7	31.	24.	19.2	15.4	14.9	13.5	11.7	9.2	8.4
195	"	"	"	190	38.9	31.3	24.2	19.4	15.5	15.	13.6	11.8	9.3	8.5
200	"	"	"	195	39.1	31.6	24.4	19.6	15.6	15.2	13.7	12.	9.4	8.6
210	"	"	"	200	39.6	32.	24.8	19.9	15.9	15.4	13.9	12.2	9.5	8.7
220	"	"	"	210	40.2	32.5	25.2	20.2	16.1	15.5	14.1	12.4	9.7	8.8
230	"	"	"	220	40.7	32.9	25.6	20.5	16.4	15.7	14.2	12.6	9.9	8.9
240	"	"	"	230	41.2	33.4	25.9	20.8	16.6	15.9	14.4	12.7	10.1	9.1
250	"	"	"	240	41.7	33.8	26.3	21.1	16.8	16.1	14.6	12.9	10.3	9.3
260	"	"	"	250	42.3	34.3	26.7	21.4	17.1	16.3	14.8	13.1	10.4	9.4
270	"	"	"	260	42.8	34.7	27.1	21.7	17.3	16.4	15.	13.3	10.6	9.5
280	"	"	"	270	43.3	35.2	27.5	22.	17.6	16.6	15.1	13.5	10.7	9.6
290	"	"	"	280	43.8	35.6	27.8	22.3	17.8	16.8	15.3	13.7	10.9	9.8
300	"	"	"	290	44.4	36.1	28.2	22.6	18.1	17.	15.5	13.9	11.	9.9
320	"	"	"	300	45.1	36.9	29.	23.	18.4	17.4	16.	14.1	11.2	10.1
340	"	"	"	320	45.9	37.6	29.7	23.5	18.8	17.9	16.4	14.4	11.6	10.4
360	"	"	"	340	46.6	38.4	30.5	23.9	19.1	18.3	16.9	14.7	11.9	10.7
380	"	"	"	360	47.4	39.1	31.2	24.4	19.5	18.8	17.3	15.	12.2	11.
400	"	"	"	380	48.1	39.9	31.6	24.8	19.9	19.1	17.6	15.3	12.5	11.3
420	"	"	"	400	48.5	40.2	32.	25.1	20.	19.4	17.8	15.7	12.8	11.5
440	"	"	"	420	48.9	40.5	32.3	25.4	20.3	19.7	18.	15.9	13.1	11.8
460	"	"	"	440	49.3	40.8	32.7	25.7	20.5	20.	18.2	16.2	13.4	12.1
480	"	"	"	460	49.6	41.1	33.1	26.	20.8	20.3	18.5	16.6	13.8	12.4
500	"	"	"	480	50.	41.4	33.5	26.3	21.1	20.5	18.8	16.9	14.1	12.6

¹ Governed by the Illinois Classification.

16 FREIGHT RATES—OFFICIAL TERRITORY

(b) *Application of Rates*

In formulating rate schedules under this statute the carriers, so far as their local rates are concerned, ascertain the distance from one point to another and apply the scale of rates prescribed for that distance for the class of carrier that is engaged.

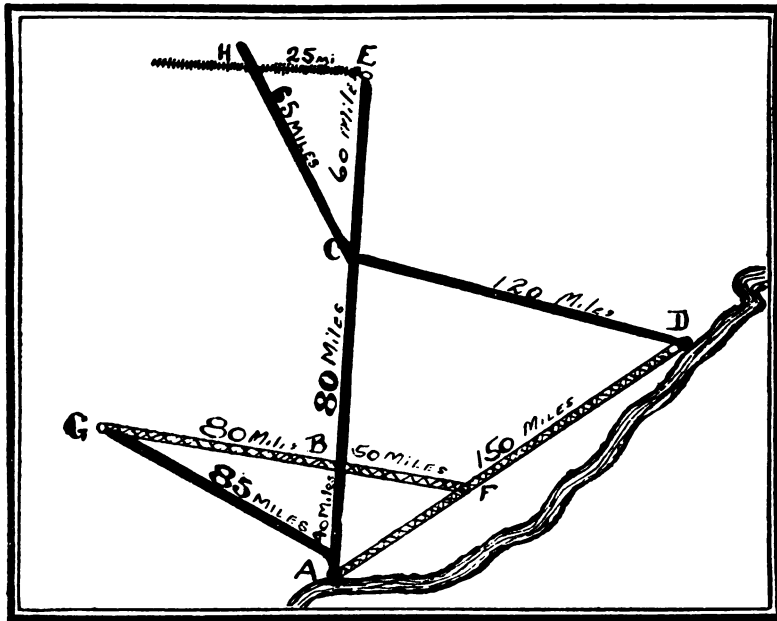


DIAGRAM 1

(c) *Joint Rates*

In many instances joint rates are made on single-line mileage combinations and not by the application of the continuous-mileage scale. For example, taking Diagram 1 to illustrate the point, the distance from E to C is shown as 60 miles and that from C to D as 120 miles. Assuming that the respective hauls were made over separately

owned and operated Class-A roads, the through rates would be determined as follows:³

Classes	1	2	3	4	5	6	7	8	9	10
E to C (60 mi.)	24.8	20.3	17.3	12.	9.6	9.5	9.1	7.3	5.8	5.2
C to D (120 mi.)	33.8	26.3	20.8	16.2	13.	12.6	11.7	9.5	7.6	6.8
(180 mi.)										
Through rates..	58.6	46.6	38.1	28.2	22.6	22.1	20.8	16.8	13.4	12.0

This practice results in rates which are materially higher than those that would obtain were the scale for 180 miles employed.

(d) *Equalization of Competition*

Competition of railways and transportation routes sometimes occasion a disregard of this procedure, as the lines having the longer hauls are compelled to meet or make the same rates as those established by the direct line and to reduce their rates in order to meet the competition of the short line.

For illustration, by again referring to Diagram 1 we see that the distance via the short line between A and D is 150 miles, while by way of C it is 240 miles. If the line operating via C chooses to meet the competition of the short line, the rate to any point on the long route between A and D must not exceed the A-to-D rate of the direct line, or the 150-mile scale.

It might so happen that the rate via the short line from A to D had been lowered by water competition, that is, that the charges via the river were so much lower than the rates via the direct rail lines under the regular mileage scale that the direct line would be compelled to reduce its figures materially in order to obtain a share of the business. In this event the carrier or carriers having the circuitous route might not be justified in meeting the competitive rates of the

³ Unless otherwise specified, the rates shown are in cents per 100 pounds.

18 FREIGHT RATES—OFFICIAL TERRITORY

short line, unless D were a point, with sufficient traffic in sight to offset the loss occasioned by reducing its rates to the intermediate points.

It frequently occurs that the advantage in location is so overwhelming that it cannot be met by the indirect line. Take, for example, the distance from E to H via the direct line, which is shown on the diagram as 25 miles, and contrast it with the circuitous route via C from E to H, a distance of 125 miles. In such a case it would be policy for the indirect route to forego the traffic and to maintain the regular mileage scale at all points between E and H via C.

In such instances traffic destined to certain points between C and H could be forwarded from E via H at lower joint rates than would obtain under the application of the local scale via the circuitous routes. As an example, assume that there is a point X located between C and H which is 10 miles distant from H; the first-class rate would be made as follows:

VIA H (COMBINATION RATE)	
E to H (25 mi.).....	16.5
H to X (10 mi.).....	12.
E to X.....	Through rate via H 28.5
VIA C (CONTINUOUS RATE)	
E to C (60 mi.)	
C to X (55 mi.)	
E to X (115 mi.).....	Through rate via C 33.1

Where competitive influences do not exist, such as on the line from A to E, the rates are made or scaled in conformity with the distance basis established by the state commission; that is, the figures prescribed for that distance are not exceeded at any station intermediate to, and including, E.

MICHIGAN

As disclosed by the *Atlas of Railway Traffic Maps*, the upper part, or so-called upper peninsula, of the state of Michigan lies within Western Classification Territory, the southern part or southern peninsula being in Official Classification Territory, and as this work has to deal with that adjustment, the exposition of rates obtaining in this state will be devoted largely to the Official Classification rate structure.

Practically everyone is well acquainted with the fact that in the northern peninsula lie some of the richest copper and ore deposits to be found in the world, and as the Straits of Mackinac mark the terminus of the Official Classification line, the Western Classification Territory lines have extended their classification adjustment eastward to the straits, as it is more logical for them to do than to adopt the Official Classification of the southern peninsula lines.

While the ore and copper deposits previously mentioned account for the greater part of the tonnage of this state, coal is also produced in considerable quantity; but in the southern peninsula, particularly the northern part thereof, there is little or no traffic of consequence. The lumber interests long ago denuded Michigan forests of available timber, and at the present time this section is popularly viewed as a recreation spot or playground attracting thousands of persons annually who enjoy the effect of the bracing climate and the recreation afforded by the innumerable lakes with which the territory is dotted.

The leading manufacturing cities of Michigan are Grand Rapids, Lansing, Saginaw, Battle Creek, Albion, Traverse City, Muskegon, Port Huron, Wyandotte, and Detroit, and from an inspection of the *Atlas of Railway*

Traffic Maps, it will be noted that these points are for the most part located in the southern tier of counties.

It is true that Michigan is famed as a fruit raising state, but the fact that the movement of this commodity is seasonal does not occasion any appreciable effect upon the general class-rate structure which has been adopted by that state.

In order to minimize these conditions and to insure a fair return without undue prejudice to shippers, the Michigan carriers, in 1895, promulgated a scale of rates which are slightly higher for corresponding distances than are the rates obtaining under the Central Freight Association scale. This scale was based on 5-mile rates of progression from 5 to 100 miles, inclusive; on 10-mile rates of progression to and including 250 miles and on 25-mile rates of progression to and including 450 miles, the maximum distance being indicated as 500 miles. The rates range from 11 cents on first-class traffic for 5 miles to 55 cents per 100 pounds for 500 miles, and this scale had been in effect as a whole for many years, although in specific instances the rates had been advanced in one case and reduced in others.

Concurrent with the advance in freight rates throughout Official Classification Territory sanctioned by the Interstate Commerce Commission recently, the railroad commission of the state of Michigan authorized a general readjustment of the existing class rates obtaining in that state. The rates currently in effect are reproduced in Table 2A.

In sanctioning this increase, however, the Michigan commission, owing to the fact that it has been alleged that many points in the state were enjoying preferential rates occasioned by the disregard of distance in some instances, required carriers to recheck the entire state rate structure, with the result that the larger portion of the advance in rates in Michigan is due to this recheck.

TABLE 2
MILEAGE BETWEEN JUNCTION POINTS

Between		DISTANCE IN MILES																							
And		Addison Jct.	Adrian	Akron	Alabaster	Alba	Albion	Allegan	Alma	Almont	Alpena	Ann Arbor	Annepere	Arcadia	Ashley	Au Gres	Augusta	Au Sable	Bad Axe	Baldwin	Barryton	Battle Creek	Bay City	Bayport	Bay View
Addison Jct.	...	33	146	200	260	37	106	121	245	260	55	82	247	104	176	63	209	184	187	157	53	134	167	305	
Adrian	33	...	159	212	288	60	153	136	258	272	36	63	280	119	188	86	221	179	237	200	76	146	180	324	
Akron	146	159	...	85	146	147	205	65	149	145	133	136	168	82	61	182	94	42	132	114	141	19	21	235	
Alabaster	200	212	85	...	193	183	243	118	207	73	170	143	246	35	31	236	24	143	186	168	196	66	124	195	
Alba	260	288	146	193	...	255	191	142	254	155	239	211	103	159	169	212	192	194	107	127	229	127	176	34	
Albion	37	60	147	183	255	...	67	122	246	243	59	74	237	105	159	34	192	181	177	140	25	134	168	289	
Allegan	106	153	205	243	191	67	...	140	304	303	125	148	179	128	219	38	252	228	119	140	48	172	226	225	
Alma	121	136	65	118	142	122	140	...	164	178	100	73	143	17	94	157	127	104	101	50	126	52	86	176	
Almont	245	258	149	207	254	246	304	164	...	263	223	235	292	181	179	200	212	104	231	213	191	137	129	384	
Alpena	260	272	145	73	155	243	303	178	263	...	230	203	306	195	100	296	51	203	246	228	236	126	184	122	
Ann Arbor	55	36	133	170	239	59	125	100	223	230	...	27	244	83	146	93	179	146	191	150	83	104	155	276	
Annepere	82	63	136	143	211	74	148	73	235	203	27	...	217	56	119	120	152	134	173	135	79	77	157	249	
Arcadia	247	280	168	246	103	237	179	143	292	306	244	217	...	160	221	212	255	225	60	132	221	168	206	127	
Ashley	104	119	82	135	159	105	128	17	181	195	83	56	160	...	111	139	144	121	108	67	110	69	103	193	
Au Gres	176	188	61	31	169	159	219	94	179	100	146	119	221	111	...	211	48	118	161	143	172	42	99	221	
Augusta	63	86	182	236	212	34	38	157	200	296	93	120	212	139	211	...	211	199	152	185	9	170	212	254	
Au Sable	209	221	94	24	202	192	252	127	212	51	179	152	255	144	48	211	...	152	196	178	205	75	134	172	
Bad Axe	184	179	42	143	194	181	228	104	204	203	146	134	225	121	118	199	152	...	174	156	183	80	21	224	
Baldwin	187	232	186	107	177	119	101	231	246	191	173	60	108	161	132	196	174	...	73	161	120	152	153	133	
Barryton	157	200	114	168	127	140	140	50	213	228	150	135	132	67	143	185	178	156	73	...	145	102	134	224	
Battle Creek	53	76	141	196	229	25	48	126	191	256	83	79	221	110	172	9	205	183	161	145	...	130	162	255	
Bay City	134	146	19	66	127	134	172	52	137	126	104	77	168	69	42	170	75	80	120	102	130	...	59	216	
Bay Port	167	180	21	124	176	168	226	86	129	184	155	157	206	103	99	212	134	21	152	134	162	59	...	305	
Bay View	305	324	235	195	34	289	225	176	385	275	249	127	193	221	254	172	224	172	224	153	224	255	216	305	
Beaverton	172	185	76	130	149	173	200	91	175	189	145	131	61	106	218	139	118	78	144	167	64	96	221	...	

22 FREIGHT RATES—OFFICIAL TERRITORY

To serve this end, the carriers tabulated the result of their labor in a publication which, although in the form of a basing book, is filed with the Michigan commission and the Interstate Commerce Commission and is used as a

TABLE 2A
MICHIGAN CLASS-RATE SCALE

DISTANCE	CLASSES								
	1	2	3	4	5	6	R25	R26	R28
5 miles.....	23.5	20	15.5	12	8.5	6.5	17	12.5	13
10 miles.....	24.5	21	16	12.5	9	7	18	13	13.5
15 miles.....	25.5	22	16.5	13	9	7	18.5	13	14
20 miles.....	27	23	17.5	13.5	9.5	7.5	19.5	14	15
25 miles.....	28	24	19	14	10	8	20.5	15	16
30 miles.....	29	25	19.5	14.5	10.5	8	21.5	15.5	16.5
35 miles.....	31	26	20.5	15.5	11	8.5	22	16.5	17.5
40 miles.....	32	27	21.5	16	11.5	9	23	17	18
45 miles.....	33	28	22	16.5	11.5	9	24	17.5	18.5
50 miles.....	34.5	29	23	17	12	9.5	24.5	18.5	19
55 miles.....	35	30	23.5	18	12.5	10	25.5	19	20
60 miles.....	35.5	30.5	23.5	18	12.5	10	26	19	20
70 miles.....	36.5	31.5	24.5	18.5	13	10	27	19.5	20.5
80 miles.....	37.5	32	25	19	13	10.5	27	20	21
90 miles.....	39	33.5	26	20	13.5	11	28.5	21	22
100 miles.....	40	34.5	26.5	20.5	14	11	29.5	21	22.5
150 miles.....	46.5	39.5	31	23.5	16	13	33.5	25	26
200 miles.....	52.5	44.5	35	26	18.5	14.5	38	28	29
250 miles.....	55.5	47	37	27.5	19.5	15	40	29.5	31
300 miles.....	58.5	49.5	39.5	29.5	20.5	16	42	31.5	33
400 miles.....	64.5	55	43	32.5	22.5	18	47	34.5	36
500 miles.....	70.5	60	47	35.5	24.5	20	51	37.5	39.5
600 miles.....	76.5	65	51	38	26.5	21.5	55.5	41	42.5
700 miles.....	83	70.5	55.5	41.5	29.5	23	60	44.5	46.5
800 miles.....	85.5	75.5	59	44.5	31	24.5	64	47	49.5

¹ Wherever it is required to construct rates that are a percentage of other rates (except when otherwise provided), fractions of less than five-tenths of a mill are disregarded, and five-tenths of a mill and over are counted as one mill. This applies both intrastate and interstate.

tariff. This publication indicates, in addition to the rates set forth in the preceding table, the distances between various junction points throughout the state, and the information is set forth in the manner indicated by the excerpt taken from the publication shown in Table 2.

Points enumerated in the tariff are basing points; points not shown are designated as local points, and it is well to consider at this time some of the more important rules with respect to the construction of rates under this form.

*Rule 1. Rates Between Basing Points.*⁴—Rates between basing points will be the mileage scale rates for the distance between the points as shown in the tariff.

Example.—Rates from Alma to Owosso, a distance of 38 miles, will be the rates shown in Table 2A for that distance, which are 32—27—21.5—16—11.5—9.

Rule 2. Rates from Basing Points to Local Points for a One-Line Haul.—Rates from a basing point to a local point located on the same railroad will be the mileage scale rates for the actual distance, except the rates shall not exceed rates to the same point via two or more railroads made in accordance with Rule 4.

Example.—From Kalamazoo to Middleville (a point on the M. C. R. R. between Grand Rapids and Hastings) rates will be computed by using the mileage from Kalamazoo to Hastings, plus the mileage from Hastings to Grand Rapids, resulting in the following: 36.5—31.5—24.5—18.5—13—10. The rates for the actual Michigan Central mileage were not used in this case because lower rates apply via two lines in accordance with Rule 4.

Rule 3. Rates from Local Points to Basing Points for a One-Line Haul.—Rates from a local point to a basing point located on the same railroad will be the mileage scale rates for the actual distance, except the rates shall not exceed rates from the same point via two or more railroads made in accordance with Rule 5.

Example.—This is the reverse of the Kalamazoo to Middleville example shown under Rule 2.

Rule 4. Rates from Basing Points to Local Points for a

⁴From Freight Tariff 175 Series, issued by Eugene Morris.

Two or More Line Haul.—Rates from a basing point to a local point located between two basing points will be arrived at by using the mileage to that basing point to which the lower mileage is shown in the tariff and adding thereto the mileage from such basing point to the other basing point, subject to the rates to the basing point taking the higher rates as minimum.

Example.—From Otter Lake to Davison (a point on the G. T. Ry. between Lapeer and Flint) rates will be computed by using the mileage from Otter Lake to Lapeer plus the mileage from Lapeer to Flint, resulting in the following: 31—26—20.5—15.5—11—8.3.

Rule 5. Rates from Local Points to Basing Points for a Two or More Line Haul.—Rates from a local point located between two basing points to a basing point will be arrived at by using the mileage from that basing point from which the lower mileage is shown in the tariff and adding thereto the mileage to such basing point from the other basing point, subject to the rates from the basing point taking the higher rates as a minimum.

Example.—This is the reverse of the Otter Lake to Davison example shown under Rule 4.

Rule 6. Rates between Local Points on Same Railroad.—Rates between local points located on the same railroad will be computed on the actual mileage from point of origin to destination as published in individual lines' Tables of Distances, lawfully on file with the state and interstate commissions.

Example.—Rates from Chelsea (a point on the M. C. R. R. between Ann Arbor and Jackson) to Parma (a point on the M. C. R. R. between Jackson and Albion) will be the rates for the actual mileage (32 miles), which are 31—26—20.5—15.5—11—8.3.

Rule 7. Rates from a Local Point on One Railroad to a Local Point on Another Railroad.

Section A. When there is a route between the origin point and the destination point, via which there is only one basing point between them, rates will be arrived at by adding the following:

(1) Mileage from basing point beyond the origin point to the intermediate basing point.

(2) Mileage from the intermediate basing point to the basing point beyond the destination point.

Example.—To ascertain rates from Potterville to Mason, add—

Mileage—Charlotte to Lansing.....	18 miles
Lansing to Rives Jct.....	26 “
	<hr/>
	44 “

Rates—33—28—22—16.5—11.5—9.

Section B. Where more than one basing point is located between the origin point and the destination point, rates will be arrived at by the mileage as indicated below, subject to the rates from the basing point on either side of the origin point from which the higher rates apply, computed in accordance with Rule 4 of tariff, as minima:

(1) Mileage from basing point on either side of the origin point to basing point on either side of the destination point, whichever is lower.

(2) Mileage between the two basing points between which the origin point is located.

(3) Mileage between the two basing points between which the destination point is located.

Example.—To ascertain rates from Crofton to Fremont, add—

Mileage—Walton Jct. to White Cloud....	83 miles
Kalkaska to Walton Jct.....	18 “
White Cloud to Muskegon.....	35 “
	<hr/>
	136 “

Minimum:—Kalkaska to Fremont, computed in accordance with Rule 4 of tariff, is 168 miles, arrived at as follows:

Kalkaska to White Cloud.....	133 miles
White Cloud to Muskegon.....	35 “
	<hr/>
	168 “

Rates—48.5—41.5—32.5—24.5—17.5—13.5.

OHIO

A number of years ago the state of Ohio enacted a statute fixing the maximum charge for the transportation of property by freight at 5 cents per ton per mile, to which might be added a reasonable charge for loading and unloading when the service was performed by the carrier.

The burden was consequently placed upon the carriers to see that their schedules were adjusted in conformity with this law and that the rates charged for the movement of property between given points did not exceed the maximum prescribed by the statute. In other words, the state did not prescribe a scale of rates, as is the case in Michigan and Illinois, but simply established a maximum charge per ton per mile which the carriers were required to observe.

This statute, however, has been repealed by the Ohio legislature. The rates are now established by the carriers themselves but are subject to the approval by the public utilities commission of the state.

INDIANA

The only remaining state included within Central Freight Association Territory is Indiana. While this state has a very active railroad commission, there never has been statutory provision as to the maximum class rates applicable within the state. The rates established by the carriers are subject to revision and approval by the state railroad commission. Consequently, the Central Freight Association scale is applied generally throughout the state on intrastate and interstate traffic. Competitive conditions have led to the adoption of the Central Freight Association scale as applied to traffic in western New York and Pennsylvania adjacent to the so-called Western Termini.

CHAPTER II

RATES WITHIN CENTRAL FREIGHT ASSOCIATION TERRITORY

THE CENTRAL FREIGHT ASSOCIATION SCALE

So much mention has been made of the so-called Central Freight Association scale in connection with the intrastate-rate adjustments that it seems desirable to devote this chapter to a consideration of this very important rate structure.

Rates within Central Freight Association Territory, except on intrastate traffic previously discussed, are based very generally on the Central Freight Association scale of class rates which are shown in Tables 3A, 3B, and 3C.

*TABLE 3A

COMMISSION ZONE-A SCALE

DISTANCES	1	2	3	4	5	6
5	18.5	15.5	12.5	9.5	6.5	5
10	19.5	16.5	13	10	7	5.5
15	20.5	17.5	13.5	10.5	7	5.5
100	34.5	29.5	23	17.5	12	9.5
110	35.5	30	24	18	12.5	10
120	37	31.5	25	18.5	13	10.5
200	46	39	31	23	16	13
210	46.5	39.5	31	23.5	16.5	13
230	47.5	40.5	32	24	16.5	13.5
300	52	44	35	26	18	14.5
320	53	45	35.5	26.5	18.5	15
400	57.5	49	38.5	29	20	16
420	58.5	49.5	39	29.5	20.5	16.5
440	60	51	40	30	21	17
480	62	52.5	41.5	31	21.5	17.5
500	63.5	54	42.5	32	22	18
520	64.5	55	43	32.5	22.5	18
600	69	58.5	46	34.5	24	19.5
620	70	59.5	47	35	24.5	19.5
660	72.5	61.5	48.5	36.5	25.5	20.5

¹ When a rate is desired for a distance not given in the foregoing scale, use the rate for the next greater distance.

² Governed by the Official Classification.

28 FREIGHT RATES—OFFICIAL TERRITORY

***TABLE 3B**

COMMISSION ZONE-B SCALE

DISTANCES	1	2	3	4	5	6
5	20.5	17.5	13.5	10.5	7	5.5
10	22	18.5	14.5	11	7.5	6
15	23	19.5	15.5	11.5	8	6.5
100	37	31.5	25	18.5	13	10.5
110	38	32.5	25.5	19	13.5	10.5
120	39	33	26	19.5	13.5	11
200	48.5	41	32.5	24.5	17	13.5
210	49	41.5	33	24.5	17	13.5
230	50	42.5	33.5	25	17.5	14
300	54	46	36	27	19	15
320	55	47	37	27.5	19.5	15.5
400	60	51	40	30	21	17
420	61	52	41	30.5	21.5	17
440	62	52.5	41.5	31	21.5	17.5
480	64.5	55	43	32.5	22.5	18
500	65.5	55.5	44	33	23	18.5
520	66.5	56.5	44.5	33.5	23.5	18.5
600	71.5	61	48	36	25	20
620	72.5	61.5	48.5	36.5	25.5	20.5
660	75	64	50.5	37.5	26.5	21

***TABLE 3C**

COMMISSION ZONE-C SCALE

DISTANCES	1	2	3	4	5	6
5	24.5	21	16	12.5	8.5	6.5
10	26	22	17	13	9	7
15	27	23	18	13.5	9.5	7.5
100	41	35	27.5	20.5	14.5	11.5
110	42	36	28	21	15	11.5
120	43	36.5	28.5	21.5	15	12
200	52.5	44.5	35	26.5	18.5	14.5
210	53	45	35.5	26.5	18.5	14.5
230	54	46	36	27	19	15
300	58	49.5	38.5	29	20.5	16
320	59	50.5	39.5	29.5	21	16.5
400	64	54.5	42.5	32	22.5	18
420	65	55.5	43.5	32.5	23	18
440	66	56	44	33	23	18.5
480	68.5	58.5	45.5	34.5	24	19
500	69.5	59	46.5	35	24.5	19.5
520	70.5	60	47	35.5	25	19.5
600	75.5	64.5	50.5	38	26.5	21
620	76.5	65	51	38.5	27	21.5
660	79	67.5	53	39.5	28	22

In the readjustment the carriers proposed, in the first place, to divide C. F. A. Territory into three separate sections or zones and to use three separate scales of rates:

EXTRACTS FROM THE C. F. A. CLASS SCALE CASE 45, I. C. C. 254

The principal zone embraces all the territory on and south of the line of the Michigan Central Railroad from Chicago to Detroit, through Kalamazoo and Jackson, Mich., and is designated as "Zone A."

Zone B lies immediately north of Zone A and is bounded on the north by a line running from Muskegon, on the east bank of Lake Michigan, eastwardly across the state through Greenville, Edmore, Alma, Saginaw, Midland, Bay City, and Sandusky, Mich., to Lake Huron.

Zone C lies directly north of Zone B and includes the remainder of the southern peninsula of Michigan. Zone C also embraces, via car-ferry route, the west banks, Lake Michigan ports north of Milwaukee, Wis., namely, Sheboygan, Manitowoc, Kewaunee, Green Bay, Two Rivers, and Marinette, Wis., and Menominee and Manistique, Mich. This is by virtue of the fact that such traffic moves through that part of Michigan which is in Zone C and via the ports of Ludington and Frankfort. (Our students will do well to indicate these zones on Map 8 of their *Atlas of Railway Traffic Maps*.)

In formulating the scale applicable within Zone A up to and including a distance of 25 miles, the scale proposed was divided into 5-mile blocks. Beyond that, to and including 55 miles, it was divided into 10-mile blocks. Thence, up to and including a distance of 100 miles, 15-mile blocks. For distances of over 100 miles to and including 200 miles, it was divided into 20-mile blocks, while for greater distances, 25-mile blocks were used. The mileage blocks in the proposed scale were larger than in the existing scale, but that was offset to some extent, at least, by the fact that in the proposed scale the rates generally change with every block, while in the existing scale, they are often the same for two or more blocks. The scale was mainly for use in connection with distances which do not exceed 475 miles, the Chicago western termini distance.

For reasons not disclosed in the record, the carriers did not feel free to make substantial increases in the fifth- and sixth-class rates. Therefore, in constructing the scale, they began with the sixth-class rate as a basis so that they would be better able to keep control of the figures for the lower classes and to avoid heavy increases and severe disturbances. They started with 3 cents per 100 pounds as a reasonable sixth-class rate for

286 FREIGHT RATES—OFFICIAL TERRITORY

5 miles and less. That had been the sixth-class rate prior to the 5 per cent increase made in 1914. To arrive at the sixth-class rate for distances greater than 5 miles, one-half cent was added for each successive mileage block. If 2.5 cents instead of 3 cents had been taken as the sixth-class base rate for 5 miles, a progression of one-half cent for each mileage block would have brought about radical reductions in the present rates for the greater distances. While if 3.5 cents had been used, the increases for the greater distances would have been more than the carriers were inclined to propose. The first-class rate for 5 miles was fixed at 11 cents, as that seemed reasonable compared with first-class rates of 11.6 cents in Michigan, 10.5 cents in Illinois, for one-line hauls, 10 cents in New England, Zone A, and 12 cents in New England, Zone B.

Following what appeared to be the prevailing practice, the second-class rate was made 85 per cent of the first-class rate, or 9.5 cents. The third-class rate, largely as a matter of compromise, was fixed at 7 cents, or .4 cents less than the present C. F. A. scale. Temporarily skipping fourth class, the fifth-class rate was arbitrarily made 4 cents, which was the rate prior to the 5 per cent increase and which happened to be 130 per cent of the sixth-class rate. The fourth-class rate was then made 165 per cent of the sixth class, or 5 cents, which was one cent less than that in the C. F. A. scale prior to the 5 per cent increase. The rates for 5 miles were then seen to be related to the sixth-class rate according to the following per cent.

Classes	1	2	3	4	5	6
Per cent of Sixth Class.....	375	315	240	165	130	100

Having arrived at the sixth-class rate for all distances in accordance with the foregoing rule of progression, the rates for higher classes in each mileage block beyond the first block, to and including the 200-mile blocks, were uniformly based on the above percentages of the sixth-class rates. If the above percentages had been used for distances of "475 and over 450 miles," the resulting rates, when applied between Buffalo and Chicago, would not have cleared the existing rates between Rochester, N. Y., and Chicago. For instance, the first-class rates between Buffalo and Chicago would have been 60 cents, whereas the existing first-class rate from Chicago to Rochester is 58.3 cents, and from Rochester to Chicago, 55.2 cents. In order to avoid this difficulty, the percentage relation observed in the scale for all distances over 450 miles was as follows:

Classes	1	2	3	4	5	6
Per cent of Sixth Class.....	320	272	216	146	120	100

This arrangement resulted in the first-class rate of 51 cents for the distance between Chicago and Buffalo, and prevented a violation of the long-and-short-haul rule. For distances over 200 miles to and including 450 miles, no definite percentage relations to sixth-class rates were observed, but the spread in the rates between the 200 and the 450-mile blocks was distributed ratably over the intervening blocks.

The Zone-B scale was made one-half cent higher on sixth-class than the Zone-A scale, and the Zone-C scale one cent higher on sixth class than the Zone-B scale. The rates on the higher classes in both of these scales are based upon the sixth-class rate substantially as in the Zone-A scale. Upon the whole, the Zone-B scale is probably about 5 per cent higher than the Zone-A scale and the Zone-C scale about 8 per cent higher than the Zone-B scale.

It should be understood that these scales are not published in tariffs but are merely the basis used in constructing the published rates. The carriers did not undertake to compute distances between all points in C. F. A. Territory for use in applying this scale. That, it was said, would have been an enormous task, and, from a practical standpoint, not worth the time and expense required to perform it. The distances that were computed totaled about 400,000 in number and required the work of a large clerical force for several months. Distances were computed between all points on the same road and between a large number of so-called "basing points" on different roads. The basing points comprise most of the common or junction points in C. F. A. Territory and a number of local points including all branch-line termini.

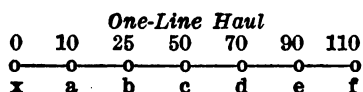
In computing the distances, the shortest workable route in each case was ordinarily used, and the distances thus obtained were employed in arriving at rates for the longer routes between the same points. However, in some cases certain other considerations which were deemed to be controlling prompted the use of routes other than the short routes as bases for computing the distances. For instance, if the short route involved a two-line haul, it was not used if either of the lines composing it had a longer but reasonably direct route of its own between the points.

Having discussed the proposed scales and the methods of arriving at distances, it is now in order to see how the two were used in determining the actual rates between given points.

28d FREIGHT RATES—OFFICIAL TERRITORY

For one-line hauls of distances up to and including 70 miles, the scale was strictly applied, that is, in accordance with the actual distance, but actual distance is not applied via one-line hauls more than 70 miles or for hauls of any length over two or more lines except between basing points. In the two latter cases the rates between the various basing points are arrived at by applying the scale in accordance with the actual distance, and the rate to or from any intermediate point is the same as the rate to or from the basing point next beyond, no matter how far beyond.

The application of the scale can possibly be better understood from a diagram shown below and from the explanation which follows:



x is a point of origin.

The figures above the horizontal line denote the distances in miles from x.

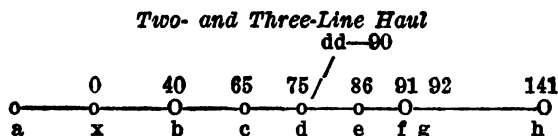
a, b, c, and d are local points of destination, within 70 miles of x. To these points of destination the scale is strictly applied.

f is a junction point with a connecting line, which may be 110 miles from x. It is a basing point, and under the carriers' rule of application it is the first point beyond d to which a rate is published in accordance with the scale and distance.

e is a local point between d and f, which under the carriers' rule takes the same rate as f, namely, the rate for "120 and over 100" miles. If the scale were applied in accordance with the distance, e would be given the rate for "100 and over 85" miles. This situation represents what the carriers call an "inflation."

Except as to cases where it would interfere with group and basing-point rates, the carriers have agreed to amend their tariffs and for single-line distances of over 70 miles not to apply the f rate to e if it results in charging e with more than is provided by the scale for that distance.

A diagram illustrating the situation on a two- or three-line haul appears below:



x is a point of origin.

The figures above the horizontal line denote distances in miles from x.

b, f, and h are basing points at junction with connecting lines. d and dd are local basing points on the line of the second carrier and distant 75 miles and 90 miles respectively from x. dd is also the terminus of a branch line. These are the first points beyond b, to which, under the carriers' rule of application, a rate is published in strict accordance with the scale.

The basing points f and h are, respectively, 91 miles and 141 miles from x, and are the only points beyond d to which, under the carriers' rule of application, the scale is strictly applied.

c, e, and g are representative local points between basing points and distant, respectively, 65, 86, and 92 miles from x. In each case they take the rate applicable to the basing point beyond, viz., d, f, or h, regardless of what the scale provides for their respective distances. There would be no "inflation" at c or e, but there would be at some points between b and c, and at some points between d and e, because the distances exceed one mileage block. There would also be "inflations" at some points between f and h. It will be observed that the distance between f and h is 50 miles and that g, but one mile beyond f, is charged the rate applicable to h, which is that for "160 and over 140" miles. If the scale were strictly applied, there would be three breaks in the rates at points between f and h; that is, there would be rates for points "100 and over 85" miles, "120 and over 100" miles, and "140 and over 120" miles. If x, the point of origin, does not happen to be a basing point, there is a further "inflation" in each of the cases referred to, because x would take the rate applicable from a, a basing point, just as e takes the rate applicable to f; and the rate from any point between a and b to any point between b and d would be the rate from a to d.

When the rates to two near-by basing points are the same the points between them take the same rates as the basing points.

These rules or methods, with some modifications, were used generally in constructing the proposed rates, and, as will later appear, the group system of rate making was also employed. The rates at present in effect, and which generally have been in effect for many years, except for the 5 per cent increase made in 1914, were made in substantially the same manner. However, the "inflations" in the present rates are said by the carriers to be more numerous and more marked than they are in the proposed rates. To publish to and from every point in C. F. A. Territory rates strictly accordingly to scale and distance would necessi-

tate the compilation of hundreds of thousands of additional distances, and would result in voluminous and complicated tariff publications. The "inflations" in the proposed rates occur principally on two- and three-line hauls, and in most cases probably do not result in higher rates than would have resulted had the carriers strictly applied the scale between all points and followed either the practice of adding a differential for hauls over two or more lines or the practice of charging the combination of the locals of each line.

Points between which there is a large movement of traffic are generally basing points, while the points at which the "inflations" appear are generally local stations which do not ship or receive a large tonnage. The "inflations" are, of course, more marked and more prevalent where the distances between basing points are of considerable length, than where such distances are comparatively short. C. F. A. Territory is so covered by the network of railways that in many cases the distance between basing points does not exceed the distance included in one mileage block of the proposed scale. However, to meet the objections made by some of the protestants, the carriers, except as to traffic to and from Michigan, have no great objection to a requirement by the Commission that they establish an additional basing point wherever the distance between the basing points now used in applying the proposed scale is 25 miles or more. The establishment of such new basing points would increase the proposed rates in some cases, and decrease them in others, and on account of the long-and-short-haul rule might cause the closing of certain routes, but it would result in the elimination of many of the "inflations" found in the proposed rate structure. Carriers maintain that it is wholly impracticable to adopt an absolutely rigid distance scale in C. F. A. Territory.

These scales are divided into 5-mile blocks for distances up to and including 100 miles. Then they progress by 10-mile blocks up to and including 300 miles. Beyond that 20-mile blocks are used. The Zone A scale begins with 16 cents as the first-class rates for 5 miles and less. One cent is added for each succeeding block up to and including 50 miles. Beyond that, up to and including 100 miles, on the theory that the charge per ton-mile should decrease, it progresses by additions of one-half cent for each mileage block. Thence up to and including a distance of 200 miles, it progresses by additions of one cent per block, or twice as much as for the blocks for the distances from 50 to 100 miles, for the reason that the blocks are doubled in size. On the theory that the charge per ton-mile should further decrease for longer distances, an increase of one-half cent per block is

RATES WITHIN CENTRAL TERRITORY 29

then used up to and including 300 miles. Beyond that, as the blocks have doubled in size, the degree of progression is doubled, one cent per block being observed. The rates on the lower classes are in all cases related to first class according to the following percentages:

Classes	1	2	3	4	5	6
Percentage Relationship	100	85	67	50	35	28

We may say as a matter of information that in the Chicago-New York scale the rates for the lower classes appear to be related to the first-class rate according to the following percentages:

Classes	1	2	3	4	5	6
Percentage Relationship	100	86½	66½	46½	40	33½

The Zone-B scale starts with a rate 2 cents higher on first class for five miles than does the Zone-A scale. For use to and from Zone C, or subdivisions thereof, carriers may work out scales of differentials to be added to the rates in the Zone-B scale.

In publishing the rates the following rule for the disposition of the fractions shown in these scales shall be observed: Fractions of less than $\frac{1}{4}$ or .25 to be omitted; fractions of $\frac{1}{4}$ or .25, or greater, but less than $\frac{3}{4}$ or .75 to be shown as $\frac{1}{2}$ (one-half); fractions of $\frac{3}{4}$ or .75, or greater, to be increased to the next whole figure.

APPLICATION OF THE CENTRAL FREIGHT ASSOCIATION SCALE

The method of determining the scale to employ is as follows: At all junction points throughout the territory where two or more carriers compete for the business of that point, representatives of each of the lines are delegated to meet the representatives of the other lines and to participate in what is called a "rate check."

The duties of these committees are confined to the determination of the short-line distance via workable and usually traveled routes from the junction in question to all other junctions in the territory (of which there are

upwards of a thousand). Rates to local points are not considered at these meetings, being taken care of by the following rule:

Rates to any point not named, but which is directly between two points to which rates are named, will be the same as the rates named to such two points, unless the rates to such two points are not the same, in which case the rate to the point involved will be that applicable to the point to which the higher rate is published.¹

Diagram 2 has been prepared to indicate the procedure that is commonly employed. In this diagram are shown a few of the junction or common points and the short-line distance between such points. Assuming that the rate from St. Louis, Mo., were involved, representatives of the Central Freight Association lines operating from St. Louis would meet and submit data indicating the distance via each of the lines and their connections to all Central Freight Association junction and base points.

With this data before them, the representatives would determine on what scale the rates would be published to the common points and whether or not their lines would participate in the traffic, for the route via one or more of the initial lines might be so circuitous as to preclude the possibility of engaging therein.

Taking Indianapolis, Ind., as a destination, the distance is such as to warrant the application of the 250-mile scale. As this city is of considerable importance both as a consuming point and as a manufacturing center, this scale of rates would be fixed as the scale to that point, and rates to intermediate points via workable routes to Indianapolis would be established which would not exceed this scale.

The rates so established would then be observed as minimum rates as far back towards the originating point as the next common point, the distance to which war-

¹ The same rule may be observed for intermediate points of origin.

ranted the application of a lower scale. On the line of the Vandalia Railroad, this would be at Greencastle, the distance to which is 202 miles, warranting the application of the 210-mile scale. As the point itself is of minor importance from a traffic viewpoint, it is not unlikely that the distance would be slightly inflated and the 230-mile scale applied to preserve a relative alignment of rates (avoiding abrupt increases) as compared with the Indianapolis rates and to enable the more circuitous routes to participate in the traffic.

The results of the labors of these committees are then tabulated and arranged in convenient form in what is known as a "basing book" or a "basing sheet." This issue shows all of the common points or junction points in the territory and either the specific rates to apply thereto or the names of the base points of the group rates that are to be applied.

GROUPING OF POINTS

Owing to the density of railroad mileage in this territory, the numerous intersections of the lines comprising the system have created a thousand and more of these junction points, many of which are closely situated to each other. Particularly in so far as long hauls are concerned, some of them fall within the same distance from a given point of origin.

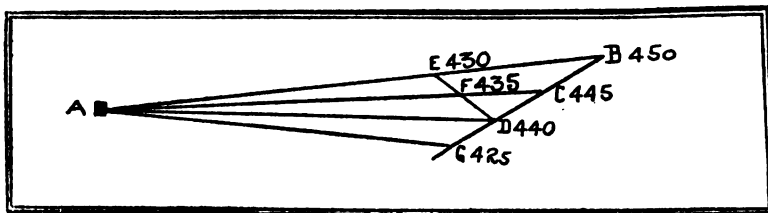


DIAGRAM 3

In Diagram 3 the distance from A to each of the junctions indicated (except G) is in excess of 425 miles and

32 FREIGHT RATES—OFFICIAL TERRITORY

the application of the 450-mile scale is warranted. The committee would not, however, indicate a specific scale of rates to all of these junctions, but it would take B as the base point and show the 450-mile scale opposite it in the table of base rates.

FROM ST. LOUIS, Mo., TO	MILES	RATES IN CENTS PER 100 POUNDS					
		Classes					
		1	2	3	4	5	6
B	450	61	52	41	30.5	21.5	17
G	425	60	51	40	30	21	17

In the body of the basing book the application of these rates to the other junctions would be provided for as follows:

To	RATE BASIS
B	B
C	B
D	B
E	B
F	B
G	G

For the purpose of further illustrating the rate-making method employed in this territory, we will assume that it is desired to construct a rate from Cincinnati, Ohio, to stations on the line of the Cincinnati, Hamilton & Dayton Railway. Accordingly, in Diagram 4, we have indicated the more important junction points upon this line and the distance that they are removed from Cincinnati via this route. In cases where this route is not the short line, the short line has been indicated together with the distance via such route.

The first junction point north of Cincinnati shown in this figure is Hamilton, Ohio. Consequently, the representatives of the Cincinnati, Hamilton & Dayton Railway and the Pittsburgh, Cincinnati, Chicago & St. Louis Rail-

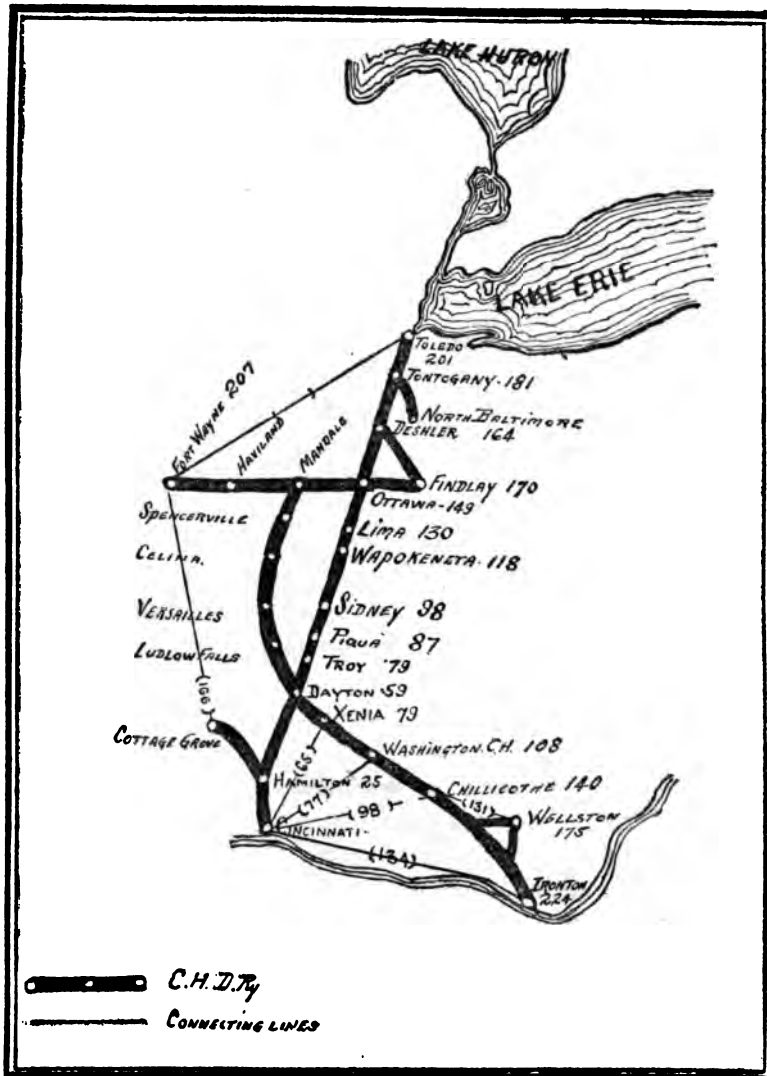


DIAGRAM 4

way, in preparing their minimum-rate sheets, would hold this point on the Central Freight Association 25-mile scale and intermediate points, that is, those between

34 FREIGHT RATES—OFFICIAL TERRITORY

Cincinnati and Hamilton, would be accorded their respective distance rates not to exceed the rate to Hamilton, to observe the long-and-short-haul clause of the Act.

For example, the representative distance from Cincinnati, Ohio, to stations intermediate to Hamilton, Ohio, via the Cincinnati, Hamilton & Dayton Railway, are as follows:

MILES	STATIONS	MILES	STATIONS
2.6	Brighton, Ohio	11.8	Wyoming
3.4	Fairmount	12.8	Park Place
5.5	Cumminsville	13.6	Woodlawn
6.6	Winton Place	15.0	Glendale
7.6	Ivorydale	17.1	Crestvue
8.5	Elmwood Place	18.6	Muhlhauser
9.4	Carthage	19.2	Stockton
10.6	Hartwell	22.8	Schencks
11.2	Maplewood	24.0	Lindenwald

The rates to these stations would be published on approximately the following figures:

FROM CINCINNATI, OHIO, TO	RATES IN CENTS PER 100 POUNDS					
	Classes					
	1	2	3	4	5	6
Brighton, O.	18.5	15.5	12.5	9.5	6.5	5
Fairmount						
Cumminsville, O.						
Winton Place	19.5	16.5	13	10	7	5.5
Ivorydale						
Elmwood Place						
Carthage	20.5	17.5	13.5	10.5	7	5.5
Hartwell						
Maplewood						
Wyoming	22	18.5	14.5	11	7.5	6
Park Place						
Woodlawn						
Glendale	23	19.5	15.5	11.5	8	6.5
Crestvue						
Muhlhauser						
Stockton						
Schencks						
Lindenwald						
Hamilton						

It should be understood as concerns the scaling of rates to local stations that one company does not permit another company to employ the same practice in so far as its local stations are concerned. In other words, a

joint rate from some point near Cincinnati on one of its connections to Mulhauser, for example, would be made not by applying the Central Freight Association scale for the continuous distance but by applying the authorized common-point basis; that is, we will say the Aurora (Ind.)-Hamilton (Ohio) basis, which we will assume is on a 50-mile scale and upon which would be made the rates from any point on the connection between Cincinnati and Aurora to any point on the Cincinnati, Hamilton & Dayton Railway between Cincinnati and Hamilton regardless of how much less the distance might be.

Again, particularly as concerns very short joint hauls, rates are made on full combinations, that is on local rates for the respective distances, owing to the fact that a mileage prorate of the junction point to junction-point rates does not yield a sufficient sum to cover the cost of handling.

By such means, each road is able to keep its local territory inviolate and to maintain a lower scale of rates, up to certain distances, than can competitors from the same points.

There are many instances such as was illustrated in a preceding chapter where lines are forced to forego and waive traffic between given points. The map of the Cincinnati, Hamilton & Dayton Railway indicates a number of points on the main line from Cincinnati to Toledo, and also several junction points on the Delphos division, from Dayton to Manndale, inclusive. Sidney and Versailles, for example, are on the Cleveland, Cincinnati, Chicago & St. Louis Railway, by way of which line the points are 18 miles apart, while by the Cincinnati, Hamilton & Dayton Railway, by way of Dayton, the route is 79 miles in length, while by way of Ottawa and East Manndale, it is even greater and consequently, the Cin-

cinnati, Hamilton & Dayton Railway does not attempt to meet the short-line rates at these points.

The next common point beyond Hamilton is Dayton, Ohio, and the route of the Cincinnati, Hamilton & Dayton Railway makes the short-line distance of 59 miles. Consequently, the 60-mile scale is applied under the rule that where the exact distance is not shown, the scale for the next higher distance is used. The rate to Dayton so established, as in the case of Hamilton, makes a maximum which may not be exceeded to intermediate points, and which must be observed by all Cincinnati-Dayton lines that desire to participate in the traffic.

As far as the main line of the Cincinnati, Hamilton & Dayton Railway is concerned, the same procedure is followed up to, and including, Toledo, Ohio, with the exception that at the more distant points, such as Tontogany, Deshler, Ottawa, and Lima, the actual mileage may be slightly inflated or increased. Thus, for example, while Tontogany would be entitled to a 190-mile scale under a strict application of the short-line mileage rule, the absence of direct-line competition from Cincinnati would enable the Cincinnati, Hamilton & Dayton Railway to hold this point upon the same basis as Toledo (210 miles).² Then, again, while Deshler apparently should receive the benefit of the 170-mile scale, the distance could be inflated from 20 to 30 miles, resulting in the application of the 190-mile or 200-mile scale, as the officials or representatives of this line may elect, for the same reasons as those advanced in the case of Tontogany.

This practice is absolutely essential, for if it were not and if, on the other hand, the actual distance were applied in each case and the long-and-short-haul clause strictly observed, an endless process of tearing down the rate structure would be brought about, resulting in a very

² As there is no scale of rates for 201 miles, the distance shown on the map, rates for 210 miles would be applied.

low scale of rates, and many carriers would be compelled to forego traffic which in many cases, although yielding a low rate, contributes in no small measure to their revenues.

To appreciate competitive conditions, it may be seen from Diagram 4 that the distance to Ironton, Ohio, via the Cincinnati, Hamilton & Dayton Railway is 224 miles as contrasted with 134 miles via the Norfolk and Western Railway, which is the direct line. Consequently, the absence of direct-line competition, in so far as the Norfolk and Western Railway is concerned, enables it to hold a rate on a somewhat higher basis than would ordinarily obtain (approximately the 180-mile scale). This permits the circuitous route (the Cincinnati, Hamilton & Dayton Railway) to make its rate much higher than would be required were the Norfolk and Western Railway to observe the actual distance.

At Xenia, Ohio, may be seen a situation that frequently arises. It will be observed from the route of the Pittsburgh, Cincinnati, Chicago & St. Louis Railway that the actual distance is 65 miles (indicated by the light line) as contrasted with 79 miles via the Cincinnati, Hamilton & Dayton Railway. On the route of the former line, however, Xenia is intermediate to Dayton. As Dayton is of infinitely more importance so far as traffic is concerned, the Pittsburgh, Cincinnati, Chicago & St. Louis Railway shrinks or decreases the rate that would obtain under the actual distance at Xenia and observes the 60-mile scale that the Cincinnati, Hamilton & Dayton Railway publishes to Dayton. Consequently, as the Pittsburgh, Cincinnati, Chicago & St. Louis Railway is competing with the Cincinnati, Hamilton & Dayton Railway for Dayton business, the latter road retaliates by meeting the 60-mile scale via Dayton to Xenia. Similarly, the short line between Cincinnati and Washington Court

38 FREIGHT RATES—OFFICIAL TERRITORY

House or Chillicothe is the Baltimore & Ohio Southwestern Railway. At Washington Court House, it makes the rates on the 80-mile Central Freight Association scale, while at Chillicothe the rates are held on practically the actual distance or the 100-mile scale. In both instances the Cincinnati, Hamilton & Dayton Railway meets these figures.

CHAPTER III

RATES WITHIN CENTRAL FREIGHT ASSOCIATION—Continued

EQUALIZATION OF COMPETITION

In Table 3 are shown only the regular scales where the mileage is indicated. There are tariffs, however, that have from two to three hundred modifications of this scale, either increasing or decreasing the rates on one or more of the various classes. These scales are known as "split scales," a better term, perhaps, being "compromise scales," and are the result of an attempt to equalize the competition of localities, of carriers, or of commodities. The following example illustrates this:

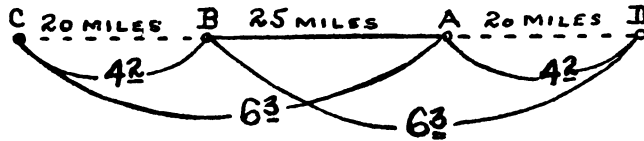


DIAGRAM 5

Let A and B represent small localities at which brick kilns are located, these points being 25 miles apart. Assume, then, that the brick moves under the sixth-class rate and that the directions of the movement are eastbound and westbound according to Diagram 5. On westbound traffic to C, which is 20 miles from the kiln located at B, B would have an advantage of 2.1 cents per 100 pounds over A, while on eastbound traffic to D the reverse would be the case. Further assuming that the industry at B is served by two lines, thus opening up to it a much larger territory than is given to A, and presuming that the territory east of A is well supplied

with brick, the field of the manufacturer operating at A must be confined to the west, where he must compete with the manufacturer at B. To do so on an equitable basis, it follows that he cannot concede his rival an advantage of 2.1 cents per 100 pounds, or 42 cents per ton. Accordingly, he seeks out the traffic manager of the road upon which he may be located and presents the facts to him.

Aside from the brick kiln at A, there is little or no traffic involved. As it is to the interest of the traffic manager to foster and develop to the fullest extent the industries on the lines that he represents, a compromise scale may be decided upon by a reduction of the sixth-class rate to the same figure as that applied from B, maintaining the other classes on the normal basis. This policy, while enabling the brick manufacturers to compete on equal terms, does not disturb the rates on ordinary merchandise traffic, because the rates for the higher classes are not depressed but are maintained upon the required mileage basis. For example:

Classes	1	2	3	4	5	6
B to C (20 mi.)	22	18.5	14.5	11	7.5	6
A to C (45 mi.)	27.5	23.5	18.5	14	9.5	7.5

What is true in this case is true in the case of any other commodity, locality, or carrier. Consequently, the practice has resulted in the depression of various class rates. This accounts for the modifications of the regular Central Freight Association scale which may be encountered from time to time. It may be the second-class rate in one case, the third-class rate in another, or the sixth-class rate, as in the illustration. The general practice, however, is to establish specific commodity rates and not disturb the class-rate adjustment.

To branch-line points especially, rates are generally made on an arbitrary basis, that is, by the addition of

certain figures to a rate to a base point. For instance, the rates to French Lick Springs, Ind., from all points in Central Freight Association Territory, are made certain arbitraries over the rates that may be established under the Central Freight Association scale from the same point of origin to Orleans, Ind., and this procedure also adds to the number of scales required.

Again, in so far as the interstate movement between Indiana and Illinois, or between Indiana and Michigan, or Ohio and Michigan is concerned, the scales established by the commissions of those states, being materially higher than the Central Freight Association scale so far as short distances are concerned, disrupt the application of the Central Freight Association scale and occasion the establishment of many of the split scales, that is, scales that are different from those that would apply for the same distance if the normal Central Freight Association rates were used. To illustrate this, Diagram 6 has been prepared.

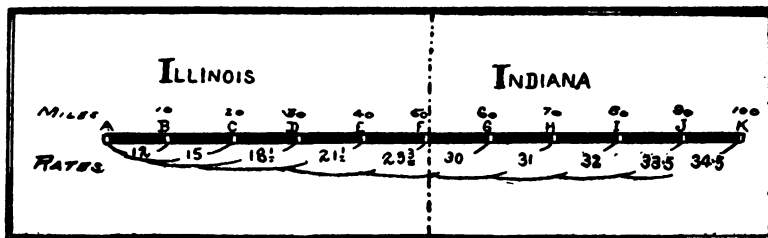


DIAGRAM 6

Stations A to F, inclusive, are assumed to be in Illinois, while the remaining stations are in Indiana. The stations in each instance are 10 miles apart. Now, assuming the movement to be eastbound, the rates to and including F would be made in conformity with the Illinois distance scale, resulting in a first-class rate from A to F of 23.3 cents per 100 pounds. The rate to G, the movement being

interstate, would be made subject to the regular Central Freight Association scale. The rate for the 60-mile distance, as encountered in this illustration, would be 30 cents, which is considerably more than the rate for the shorter intrastate movement under the Illinois adjustment. Indeed, a rate approximately as high as the intrastate rate would not be attained until J is reached, the rate thereto for a distance of 90 miles on the Central Freight Association scale being 33.5 cents.

As a result, the carriers "hold up" the rates to stations G to I on an inflated distance in order to protect their intrastate rates. Particularly will this be found true of carriers operating to or from Illinois through such junctions as Vincennes, Terre Haute, and Indianapolis, Ind., and Danville, Ill.

The practice of the carriers in this regard nullifies, to a considerable extent, the effect of the high Illinois scale and enables jobbing centers located within the state to compete on more even terms for the trade of points within the state with jobbing centers located outside thereof. From the foregoing, it will readily be seen that the Illinois jobber would be greatly handicapped by the low Central Freight Association rates on interstate business.

CLASS DIVISIONS OF THE CENTRAL FREIGHT ASSOCIATION SCALE

Prior to the adoption of the Official Classification in 1887, the scale of rates, in so far as the class divisions were concerned, varied considerably from time to time, owing to the multitude of individual classifications that were employed by the carriers. The rates from Chicago to New York ranged from four classes in 1871 to twelve classes in 1885, the present scale of six classes being adopted on April 1, 1887, when Official Classification No. 1 made its appearance.

Six was a very limited number of classes to which to assign the many and varied articles of commerce. Consequently, it was not long before additional classes were made necessary.

As the tariffs naming class rates had all been reissued to conform to the scale adopted by the Official Classification Committee, to increase the number of the class divisions specifically would have resulted in the reissuance of all of the tariffs that had been issued under the six-class scale division, entailing a large amount of labor and involving a great expense. Consequently, the plan was adopted of making the new classes certain percentages less than the existing classes and incorporating in the classification a table indicating the standard class and the class that would be made under the application of the percentage adjustment.

The first classes of this character were designated as "Rules 25 and 26" of the Official Classification, they being shown as "Rules" in the classification; the former providing for an application of a rating 15 per cent less than the second-class rate and the latter providing for a rating 20 per cent less than the third-class rate, observing third-class and fourth-class rates as minimum rates for the respective classes.¹

The most recent addition to these classes, so far as the classification is concerned, is the Rule-28 rating, which is set forth in Table 4. This rating, however, is not made on a fixed percentage, as is the case with Rules 25 and 26, but is contingent upon 35 per cent of the difference between the third-class and fourth-class ratings. If, for example, the third-class rate were 30 cents and the fourth-class rate were 25 cents, the difference would be 5 cents per 100 pounds. In such a case 1.8 cents would be added to the fourth-class rate, making the Rule-28 rating 26.8.

¹ Explained in the treatise on *Freight Classification*.

Rule 28. Articles classified subject to this Rule will be rated at fourth-class rates plus the amounts shown in the following Table of Rates, unless otherwise provided in the Tariffs of individual carriers.

TABLE OF RATES TO BE USED IN CONNECTION WITH RULE 28.

[illegible]

¹ This table was taken from Official Classification No. 43.

In more recent years, owing to the ever-changing demands of our internal commerce and the intensity of industrial and regional competition, there have been numerous other class divisions established. Indeed, at the present time the Central Freight Association is bend-

ing its efforts towards the elimination of specific commodity rates and towards the publication of rates based on certain percentages of existing class rates, in order to accommodate the movement of such commodities as may warrant this treatment.

This practice has been indulged in to such an extent that the Central Freight Association scale has grown from six classes to twenty-nine classes. This number includes the multiple classes, or those made certain multiples of the first-class rate, and the percentage classes, which are usually predicated on the lower divisions.

The construction of rates under this plan is peculiar to Central Freight Association Territory and is probably accounted for by the fact that the bulk of the tonnage moving in this territory is low-grade freight, and crude or raw materials. It differs materially from that moving in Trunk Line and New England Freight Association territories, as the bulk of the traffic in these territories is the manufactured or finished article, which does not require extraordinary treatment to develop and stimulate its movement. Again, the amount of eastbound tonnage greatly exceeds the westbound movement. As the volume of the traffic and the nature of the commodity are prime factors in rate-making, it is perhaps only natural that the adjustment of rates in this territory is more highly developed than that obtaining to the eastward.

TABLE 5
CLASSIFICATION OF COMMODITIES BASED ON PERCENTAGES OF
REGULAR CLASS RATES

COMMODITY	RATE
Acid, muriatic and sulphuric.....	90 % of fifth class
Arsenic, crude, and arsenic, white, min. wt. 50,000 lbs.	83.33% of sixth class
Ash, volcanic, C. L., min. wt. 40,000 lbs.....	80 % of sixth class
Barytes, C. L., min. wt. 40,000 lbs.....	90 % of sixth class
Cake, nitre, C. L., min. wt. 40,000 lbs.....	85 % of sixth class
Clays and silicates, min. wt. 40,000 lbs.....	80 % of sixth class

been corrected, it is not unlikely that more attention will be paid to the unification of state legislation and state-prescribed rates, rules, and regulations governing the transportation of intrastate traffic. If this is accomplished before the recheck of the territory is consummated, it is not unreasonable to anticipate that a scale of transportation charges will be established upon a much more scientific and equitable basis than obtains at the present time. The dictates of reason, however, indicate that the entire rate structure cannot be readjusted in so short a period without creating some disadvantages or eliminating some advantages which are or are not at this time possessed by individual localities.

COMMODITY RATES

In addition to the Central Freight Association scale of class rates, certain commodity rates have been established on a scale basis. These rates are to be used only in the absence of specific rates and as the basis of publishing tariffs between specific points, and where applied to joint hauls, it is necessary to secure the concurrence of the participating lines before rates may be established.

The following table indicates rates on a number of the commodities which are so treated:

TABLE 5A
CENTRAL FREIGHT ASSOCIATION SCALED COMMODITY RATES IN
CENTS PER 100 POUNDS

DISTANCES	COMMODITIES								
		Drain Tile ^a	Grain & Grain Products ^a	Ice ^a	Lime ^a	Logs ^a	Sand Gravel ^a	Stone ^a	Straw ^a
5 miles or less.....		3	4.5	2.5	4.5	4.5	3.5	5	5.5
10 miles and over 5.....		4	5.5	3.5	4.5	4.5	4	5	5.5
15 " " " 10.....		4	6.5	3.5	5	5.5	4	5.5	5.5
20 " " " 15.....		4.5	7	4	5	5.5	4.5	5.5	6.5
25 " " " 20.....		4.5	7.5	4	6	6	4.5	6.5	7
30 " " " 25.....		5.5	7.5	4.5	6	6	5.5	6.5	7.5
35 " " " 30.....		5.5	8	4.5	6.5	6	5.5	7	8

RATES WITHIN CENTRAL TERRITORY

49

TABLE 5A—Continued
CENTRAL FREIGHT ASSOCIATION SCALED COMMODITY RATES IN
CENTS PER 100 POUNDS

COMMODITIES				Drain Tile ¹	Grain & Grain Products ²	Ice ³	Lime ⁴	Logs ⁴	Sand Gravel ⁴	Stone ⁴	Straw ⁴
DISTANCES											
40	"	"	35.....	5.5	8	4.5	6.5	6	5.5	7	9
45	"	"	40.....	6.5	9	5.5	7	6.5	6	7.5	9
50	"	"	45.....	6.5	9	5.5	7	6.5	6	7.5	10
55	"	"	50.....	6.5	10	5.5	7	7	6	7.5	10
60	"	"	55.....	6.5	10	5.5	7.5	7	6	8	10
65	"	"	60.....	6.5	10.5	5.5	7.5	7	6	8	10.5
70	"	"	65.....	6.5	10.5	5.5	7.5	8	6	8	10.5
75	"	"	70.....	6.5	10.5	5.5	8	8	6	8.5	10.5
80	"	"	75.....	6.5	11.5	5.5	8	8	6	8.5	11.5
85	"	"	80.....	6.5	11.5	5.5	8	8.5	6	8.5	11.5
90	"	"	85.....	6.5	11.5	5.5	8.5	8.5	6	9	12
95	"	"	90.....	6.5	11.5	5.5	8.5	8.5	6	9	12
100	"	"	95.....	6.5	12	5.5	8.5	8.5	6	9	12
105	"	"	100.....	7	12	6	8.5	9	6.5	9	12
110	"	"	105.....	7	12	6	9.5	9	6.5	10	12
115	"	"	110.....	7	12	6	9.5	9	6.5	10	12
120	"	"	115.....	7	12	6	9.5	9	6.5	10	12
125	"	"	120.....	7	12	6	9.5	9	6.5	10	12.5
130	"	"	125.....	7	12.5	6	10	10	6.5	10.5	12.5
135	"	"	130.....	7	12.5	6	10	10	6.5	10.5	12.5
140	"	"	135.....	7.5	12.5	6.5	10	10	7	10.5	12.5
145	"	"	140.....	7.5	12.5	6.5	10	10	7	10.5	12.5
150	"	"	145.....	7.5	12.5	6.5	10.5	10	7	11	12.6
155	"	"	150.....	7.5	14	6.5	10.5	10.5	7	11	14
160	"	"	155.....	7.5	14	6.5	10.5	10.5	7	11	14
165	"	"	160.....	7.5	14	6.5	10.5	10.5	7	11	14
170	"	"	165.....	7.5	14	6.5	10.5	10.5	7	11	14
175	"	"	170.....	7.5	14	6.5	11	10.5	7	11.5	14
180	"	"	175.....	7.5	14	6.5	11	11	7	11.5	14
185	"	"	180.....	7.5	14	6.5	11	11	7	11.5	14.5
190	"	"	185.....	8	14	7.5	11	11	7.5	11.5	14.5
195	"	"	190.....	8	14	7.5	11	11	7.5	11.5	14.5
200	"	"	195.....	8	14	7.5	11.5	11	7.5	12	14.5
205	"	"	200.....	8	14.5	7.5	11.5	12	7.5	12	15
210	"	"	205.....	8	14.5	7.5	11.5	12	7.5	12	15
215	"	"	210.....	8	14.5	7.5	12.5	12	7.5	13	15
220	"	"	215.....	10	15	9	13.5	12	9	14	15
250	"	"	220.....	10	15	9	13.5	12	9	14	15.5
270	"	"	250.....	10	15	9	13.5	13	9	14	17
275	"	"	270.....	10	15	9	13.5	13	9	14	17

¹ Applicable on porous drain tile in carloads of 30,000 pounds minimum weight, but not applicable on shipments of vitrified pipe or tile.

² Minimum weight as per the Official Classification.

³ Applicable between points in the southern peninsula of Michigan. Minimum carload weight is 40,000 pounds.

⁴ Applicable on butts, handle bolts, heading bolts, logs, stave bolts,

50 FREIGHT RATES—OFFICIAL TERRITORY

in carloads of 40,000 pounds minimum weight, also applicable on sawdust and shavings in carloads of 35,000 pounds minimum weight.

⁴Applicable on carloads of gravel and sand (building and filling). Minimum carload weight is 50,000 pounds except where the marked capacity of the car is less, in which event the marked capacity of the car will be the minimum weight.

⁵Applicable on stone, namely, crushed, rough, (not dimension) rubble, riprap, and quarry scrap. Minimum carload weight is 40,000 pounds except where the marked capacity of the car is less, in which event the marked capacity of the car will be the minimum weight.

⁶Applicable on straw (for use of manufactures only), in carloads of 20,000 pounds minimum weight and in cars 36 feet or less in length. Rule 27 of Official Classification is to apply to cars of greater dimensions.

In the event that there is a local committee at the junction point from which it is desired to establish rates under the foregoing scale, the establishment of rates should be taken up with the chairman of the local committee in order to enable other roads to establish the same rates to the same points or to other points on their own line similarly situated.

It will be noted from the foregoing table that the rates on some commodities are not shown above certain distances and, as a rule, it may be stated that these commodities do not move to any extent above such distances. The commodities being commonly produced throughout the territory and of a very low value, prevent their moving long distances, and also the consuming points purchase them in the nearest available market which rarely is over 100 miles distant.

The low rate on logs may be accounted for by reason of the fact that the carriers have in mind when these logs are dressed and milled, namely, that the products will be shipped from the mill at *lumber* rates that are somewhat higher and which will move much further distances.

CHAPTER IV

THE CHICAGO AND OHIO RIVER RATE ADJUSTMENT

In connection with the study of rates in Central Freight Association Territory, the rates between Chicago and the Ohio River Crossings are here considered, as they represent a modification of the Central Freight Association scale. These rates illustrate the fact that distance is not at all times a controlling influence in fixing the bases of rates in Central Freight Association Territory but that competitive conditions oftentimes intervene and compel a disregard of distance. This is true of the rates applied upon *local* traffic to or from the Ohio River Crossings and those applied upon traffic destined to or coming from points beyond these crossings.

A reason for the departure from the Central Freight Association scale of rates will be found in the following example: Cairo, Ill., is in Illinois Freight Committee Territory, and neither Milwaukee, Wis., nor Chicago, Ill., are in Central Freight Association Territory on traffic destined to the south or southeast through Cairo, Ill. In order to keep all gateways from Cincinnati, Ohio, to Cairo, Ill., on a parity, the officials of the Illinois lines and the Chicago and Ohio River lines (to Cincinnati and Louisville) who are also members of the Central Freight Association convene as the Chicago and Ohio River Freight Committee and legislate independently of the Central Freight Association or the Illinois Freight Committee.

The so-called Ohio River Crossings,¹ proper, are points located on the river at which there are bridges that permit the physical connection and interchange of traffic between northern and southern lines. There are, however, points where there is no bridge, and traffic is interchanged by means of ferries or car-floats (Brookport and Metropolis, Ill., and Paducah, Ky.) and crossings that simply mark the connection of the rail lines with the boat lines operating upon the river (Rockport and Madison, Ind., Shawneetown, Ill., etc.).

A distinction is made in the river crossings as to their location, that is, whether they are north-bank crossings or south-bank crossings. According to the direction of the traffic, the rates to the crossings on the opposite side of the river are sometimes made certain arbitraries (which amounts represent the bridge tolls) higher than the rates to the nearer crossings. Through the Ohio River Crossings (or Gateways, as they are sometimes called) an immense volume of traffic is interchanged annually between carriers operating in the respective territories lying north and south of the river.

Primarily, the South is an agricultural and mineral region and, until recent years, manufacturing was not engaged in to an appreciable extent. The great bulk of traffic originating in the southern states consists of cotton, fruits, vegetables, iron ore, phosphate, mica, naval stores, sugar, molasses, rice, and forest products. These natural products are exchanged for the manufactured products of the North. In so far as this country is concerned, the northern states have always been the most convenient market for the distribution of the products of the South.

To supply the South with their needs in the line of textiles, machinery, vehicles, etc., all the manufacturing

¹ See Traffic Glossary.

and producing centers of the North are pitted one against the other for this trade. As transportation costs frequently fix the purchase point, it is not surprising that the western lines have placed the adjustment of rates to the markets of the South under the supervision of a special committee known as the Chicago and Ohio River Committee. The functions of this committee are to supervise the publication of such rates as are agreed upon by the member lines and to entertain propositions from members, shippers, or consignees relative to the adjustment of rates, etc., necessary to enable them to compete on equitable terms with those more advantageously located.

As fully explained in the treatise devoted to rate construction in Southern Territory,² the eastern section of Official Classification Territory, usually described as "Seaboard Territory," embracing that area lying east of an imaginary line drawn from Buffalo, N. Y., through Pittsburgh, Pa., to Wheeling, W. Va., and thence to Charleston, W. Va., has a very low scale of rates to points in Southern Territory on account of the numerous available waterways and the many navigation companies that are engaged in the traffic. Consequently, if the western lines, together with their connections, did not do something to relieve this situation, it is likely that the western manufacturer would be unable to compete with competitors situated in the East. Likewise, the western carriers would suffer through diminished tonnage.

This is readily seen by assuming that two manufacturers are engaged in the same line of business, one located at some point adjacent to the seaboard, with available water transportation, and the other manufacturer located in the interior, relying solely on the rail lines. If the water lines afford the former a freight rate some 20

² See *Freight Rates. Southern Territory.*

EQUALIZATION OF DISTANCES

The following indicates the disparity in the distance via several routes from Chicago to Cincinnati, Ohio:

NAME OF ROAD	MILEAGE
Pittsburgh, Cincinnati, Chicago & St. Louis Ry..	299
Chesapeake & Ohio Ry. of Indiana.....	286
Cleveland, Cincinnati, Chicago & St. Louis Ry...	303
Chicago, Indianapolis & Louisville Ry. and Cincinnati, Hamilton & Dayton Ry. (via Indianapolis, Ind.).....	310
New York Central R. R. and Cincinnati, Hamilton & Dayton Ry. (via Toledo, Ohio).....	445
Baltimore & Ohio System (via Chicago Junction and Newark, Ohio).....	503

The circuitous routes (those involving the longer haul) usually take no action in the making of rates, this matter resting with the direct lines. Hence, if they decide to engage in the traffic, they must meet the competition and apply the same rates as the direct lines. In accordance with this principle, the rates from Chicago to Cincinnati via the Baltimore & Ohio System and via the Pittsburgh, Cincinnati, Chicago & St. Louis Railway are the same, although the former route is two hundred and more miles longer than the latter. There is a limit, of course, where this procedure would not be advantageous to the carriers, in that a route involving a haul over several lines might be so long as to be non-workable.

In the illustration just cited, all the money received accrues to one system. A haul of this kind, however, over two lines, one of which, say, is 400 miles in length and the other 103 miles, would result in a division of earnings of approximately 80 per cent for the longer line and 20 per cent for the short line, which revenue, particularly so far as the shorter line is concerned, would hardly cover actual transportation expense. Sometimes, however, the short-line demands arbitrary divisions, which

are much in excess of what would accrue to them under a "mileage prorate."

Likewise, as the feature of time has come to be an important factor in the selection of routes, the longer lines necessarily enjoy but a comparatively small portion of the traffic. Their existence, however, is greatly appreciated at times by the shipping public, particularly when, through an accumulation of traffic, the direct lines are compelled to place embargoes with respect to the traffic, that is, decline to accept any for shipment until the accumulation on hand has been disposed of.

LOCAL CLASS RATES

In the establishment of local rates, the Ohio River Crossings are grouped into two divisions—the upper and the lower Ohio River Crossings. The Indiana-Illinois state line marks the division.

In arriving at the rates from Chicago to the upper Ohio River Crossings (Evansville, Ind., to Cincinnati, Ohio, inclusive) it becomes necessary to determine the short-line distance to each of the crossings involved, which, as may be seen from Diagram 7, is 287 miles from Chicago to Evansville, Ind.; 295 miles to Louisville, Ky.; and 286 miles to Cincinnati, Ohio.

As the rule for the application of the Central Freight Association scale states that when the rate for the exact distance is not shown, that for the next greater distance is to be used, and as the distances in each case exceed 275 miles, the scale for 300 miles (the next higher) would be applied.

Consequently, the higher classes will be found to be on the 300-mile Central Freight Association scale.⁵

The current rates in effect on local traffic to the upper Ohio River Crossings are reproduced, as a matter of convenience, in Table 6.

⁵ See Table 3.

TABLE 6

LOCAL CLASS RATES TO THE UPPER OHIO RIVER CROSSINGS

FROM	TO	RATES ¹ IN CENTS PER 100 POUNDS									
		Classes									
		1	2	3	4	5	6	R25	R26	R28	
Chicago, Ill.	Indianapolis, Ind...	45	38.5	30	22.5	16	12.5	32.5	24	25	
	Cincinnati, Ohio...	51	43.5	34	25.5	18	14.5	37	27	28.5	
	Evansville, Ind...										
	Jeffersonville, Ind	52	44	35	26	18	14.5	37.5	28	29	
	New Albany, Ind...										
	Louisville, Ky.....	53	45	36	27	19	15.5	38.5	29	30	
	Owensboro, Ky....	58.5	50	39	30.5	21	17.5	42.5	31	33.5	
Milwaukee, Wis.	Indianapolis, Ind...	51	43.5	34	25.5	18	14.5	37	27	28.5	
	Cincinnati, Ohio ² ..	57	48.5	38	28.5	20	16.5	41	31	32	
	Evansville, Ind...										
	Jeffersonville, Ind	58	49	39	29	20	16.5	41.5	31	32.5	
	New Albany, Ind...										
	Louisville, Ky.....	59	50	40	30	21	17.5	42.5	32	33.5	
	Owensboro, Ky....	64.5	55	43	33.5	23	19.5	47	34.5	37	

¹ Governed by the Official Classification.² The rates shown from Milwaukee, Wis., to Cincinnati, Ohio, also apply via lake-and-rail routes in connection with the Grand Trunk Railway System, Pere Marquette Railroad, and Pere Marquette Line Steamers. On traffic consigned through to destination from points beyond Milwaukee, the same rates as apply from Chicago apply from Milwaukee via the lake-and-rail routes.

From Table 6 it will be observed that, so far as the destinations from Chicago are concerned, the north-bank points are grouped as shown above where rates are named to the Ohio River Crossings. The rates to Louisville, Ky., a south-bank point, are made generally 1 cent per 100 pounds higher than the rates to the north-bank crossings, Jeffersonville or New Albany, Ind., this difference being the amount of the bridge toll assessed on all traffic crossing the river at this point.

The establishment of rates to Owensboro, Ky., under this adjustment is occasioned by the fact that the Louisville, Henderson & St. Louis Railway, a south-bank line operating between Evansville and Louisville, with its northern connections, is in competition by way of Louisville for traffic to Evansville, and by way of Evansville

for traffic to and from Louisville. Owensboro is but a short distance from Rockport, Ind., a terminus of the Southern Railway on the north bank. Owing to the existence of active water competition, the rates to Owensboro are lower than they would naturally be were it not for these conditions. Consequently, the rates are at this time adjusted on the following scale of differentials over the rates established to Evansville, Ind.:

Classes	1	2	3	4	5	6
Differentials	7½	6½	5	5	3	3

As will be seen from Table 6, the Chicago and Ohio River Committee also publishes rates to Indianapolis, Ind. The reason for this is that the tariff-issuing agencies of the southern lines frequently establish through rates from the so-called Indianapolis group of stations to destinations in Southern Territory and by the establishment of rates to Indianapolis by the Chicago and Ohio River Committee rates may be constructed on a combination basis. Similarly, the application of the rates to the Ohio River Crossings is drawn back in some cases so far as to fix, in a great measure, the scale of rates applied to Indianapolis.

As to points of origin, it will be observed that rates are established from Milwaukee and points taking the same rates by adding specified differentials over the Chicago rates. These differentials are not based on distance. Under the original adjustment, which was in effect prior to the advance in rates in Official Classification Territory, the rates from Milwaukee were made the following differentials over the Chicago rates:

Classes	1	2	3	4	5	6
Differentials	6	5	4	3	2	2

The Chicago rates which were in effect at that time were as follows:

60 ~~FREIGHT RATES~~—OFFICIAL TERRITORY

Classes	1	2	3	4	5	6
Rates	42	34	25	17	15	12

The current scales, however, show that the extent of these differentials has been increased under the advanced rates, inasmuch as the differentials in effect at this time are as follows:

Classes	1	2	3	4	5	6
Differentials	6.3	5.2	4.2	3.2	2.1	2.1

These figures or differentials are very much less than the local rates that apply between Chicago and Milwaukee and are designed to equalize the competition of these respective markets in so far as this traffic is concerned.

LOCAL COMMODITY RATES

The tariff publications of this committee are quite complete and, in addition to the class rates applying to the Ohio River Crossings, contain all the commodity rates authorized by the member lines of this association, thus eliminating the necessity of referring to other issues for this information.

A representative line of commodity rates, indicating the form in which they are published, appears in Table 7.

Table 7 indicates the method of establishing commodity rates under percentages of existing class rates, as mentioned in an earlier chapter.

The rates shown therein on muriatic acid, for example, are based on 90 per cent of the fifth-class rates shown in Table 6; the rates on sulphate of alumina are based on 90 per cent of the sixth-class rates; on crude arsenic, 83.33 per cent of the sixth-class rates; on asphaltum and asphaltum substitutes, 90 per cent of the sixth-class rates.

It will be observed that the relative differences are maintained in the commodity adjustments; that is, the rates are the same proportion higher as the class rates from or to the same points.

61

TABLE 7

LOCAL COMMODITY RATES TO UPPER OHIO RIVER CROSSINGS

		IN CENTS PER 100 LBS. (except as noted)							
		FROM							
		CHICAGO, ILL., and stations taking same rates.				MILWAUKEE, WIS., and stations taking same rates.			
		TO				TO			
		Indianapolis, Ind.	Cincinnati, Ohio Evansville, Ind. Jeffersonville, Ind. New Albany, Ind.	Louisville, Ky.	Owensboro, Ky.	Indianapolis, Ind.	Cincinnati, Ohio Evansville, Ind. Jeffersonville, Ind. New Albany, Ind.	Louisville, Ky.	Owensboro, Ky.
COMMODITY RATES									
In carloads, except as otherwise provided for herein.									
		and points taking same rates							
Acid, Muriatic and Sulphuric, C. L., in tank cars, also Sulphuric and Nitric Acid, mixed C. L., in tank cars, minimum weight full gallonage capacity of tank.....	10.9	14.2	15.1	17.2	12.8	16.1	17	19.1	
Alumina, Sulphate of, C. L., in bags, barrels, casks, slabs or in bulk, minimum weight 40,000 lbs.....	8.6	11.3	12.2	14.3	10.4	13.2	14.1	16.2	
Ammoniacal Liquors, Aqua Ammonia, in tank cars, minimum weight full gallonage capacity of tank, C. L.	10.9	14.2	15.1	17.2	12.8	16.1	17	19.1	
Annealing Pots, Burnt, C. L., minimum weight 20 gross tons, per gross ton.....	132	.....	.....	250	174	.....	.....	292	
Articles of Concrete Manufacture, reinforced or steel-faced, viz: Cribbing, Curbing, Piling, Poles, Posts and Sills, C. L., minimum weight 40,000 lbs.....	9.5	12.6	13.6	15.6	11.6	14.7	15.7	17.7	
Asphalt Rock, C. L., minimum weight 25 gross tons, unless marked capacity of car is less, in which case the marked capacity of car will govern; but in no case is the minimum weight to be less than 15 gross tons, per gross ton.....	.....	.....	.....	228	174	210	220	270	
Asphaltum and Asphaltum Substitutes, classified N. O. S. in Official Classification, in barrels, casks, drums (iron), sacks or in tank cars, Minimum weight: in packages specified, 40,000 lbs.; in tank cars as per Official Classification.....	7.6	10.1	10.9	13.1	9.3	11.8	12.6	14.8	
Automobile Engine or Gear Parts, N. O. S., Iron, Steel, Brass, Bronze or Copper, packed in cars, C. L., minimum weight 30,000 lbs.....	11.5	.....	.....	.....	.....	.....	.....	.....
Note.—Applies only from stations on L. E. & W. R. R.									

LOWER CROSSINGS

As Chicago and Chicago rate points in Illinois and the lower Ohio River Crossings (Cairo, Gale, Metropolis, and Brookport, Ill.) are in the same state and as the rates are subject to the rules and regulations announced by the Public Utilities Commission of Illinois, the same procedure as previously indicated cannot be followed with respect to the rates applicable upon local traffic from or to these crossings. These rates are made in conformity with the distance scale announced by the state commission and are governed by the Illinois Classification. The rates currently in effect are as follows:

Classes	1	2	3	4	5	6	7	8	9	10
To Cairo, Ill.....	46.6	38.4	30.5	23.9	19.1	18.3	16.9	14.7	11.9	10.7
To Metropolis, Ill.....	47.4	39.1	31.3	24.4	19.5	18.8	17.3	15	12.2	11

In some instances, owing to the difference in classification rating, the rates from Chicago to Cairo, for example, might be much higher than the rates applicable upon the same consignment to one of the upper Ohio River Crossings.

So far as Illinois traffic is concerned, the rates are not blanketed to cover large areas of territory, as is the case in the rates to the upper Ohio River Crossings, but the respective lines scale their rates according to the actual distance from the point of origin to the point of destination.

Similarly, the commodity-rate adjustment is curtailed to a great degree, the list of commodity rates established by the Illinois lines to the lower crossings being by no means as voluminous as that established to the upper crossings.

CHAPTER V

THE CHICAGO AND OHIO RIVER ADJUSTMENT—Continued

GROUPING OF POINTS OF ORIGIN

The association having determined the measure or scale of rates to be applied from Chicago to the various crossings, it remains for the member lines of the association to indicate to what extent the application of these rates shall be extended, that is, from and to what additional points the rates are to be applied.

In Table 8 have been grouped the initial Chicago and Milwaukee lines, together with the groups of stations from which the Chicago and Milwaukee rates have been authorized to apply.

TABLE 8
POINTS OF ORIGIN
Chicago Rates

NAME OF RAILROAD	STATIONS
Baltimore & Ohio R. R.	Chicago, Ill., to Gary, Ind., inclusive
Baltimore & Ohio Chicago Terminal R. R.	Chicago, Ill., to Grasselli, Ind., inclusive
Belt Ry. of Chicago	Argo to West Chicago, Ill.
Chesapeake & Ohio Ry. of Indiana	Chicago, Ill., to Griffith, Ind.
Chicago & Alton R. R.	Chicago to Argo, Ill.
Chicago & Eastern Illinois R. R.	Chicago, Ill., to Wellington, Ill.
Chicago & Erie R. R.	Chicago, Ill., to Griffith, Ind.
Chicago & Illinois Western R. R.	Gary, Hawthorne, McCook, and Willow Springs, Ill.
Chicago & North Western Ry.	Chicago to Proviso, Ill.; Maplewood to Des Plaines, Ill.; Deering to Rogers Park, Ill.; Cragin, Ill., to Greenwood St. (Chicago)
Chicago, Indianapolis & Louisville Ry.	Chicago, Ill., to Hammond, Ind.; Michigan City to South Wabash, Ind.
Chicago, Milwaukee & Gary Ry.	Aurora to Delmar, Ill.
Chicago, Milwaukee & St. Paul Ry.	Chicago to Edgebrook, Ill.; Buena Park to Rogers Park, Ill.; Deering to Mannheim, Ill.
Chicago River & Indiana R. R.	Chicago, Ill.
Chicago, Rock Island & Pacific Ry.	Chicago to Blue Island and Morgan Park, Ill.
Chicago, Terre Haute & Southeastern Ry.	Chicago to Delmar, Ill.

TABLE 8—Continued

POINTS OF ORIGIN

NAME OF RAILROAD	STATIONS
Cleveland, Cincinnati, Chicago & St. Louis Ry.	Chicago to Blue Island, Ill.; Seneca to Essex, Ill.; Benton Harbor, Mich., to Goshen, Ind.
Elgin, Joliet & Eastern Ry.	Porter, Ind., to Barrington, Ill.; South Wilmington to Caton Farm, Ill.
Graham & Morton Transportation Co.	St. Joseph and Benton Harbor, Mich.
Grand Trunk Ry. System	Chicago, Ill., to Granger, Ind.
Illinois Central R. R.	Chicago to Harvey, Ill.; Cheltenham to Blue Island, Ill.
Indiana Harbor Belt R. R.	All stations
Lake Erie & Western R. R.	Michigan City to Tyner, Ind.
Michigan Central R. R.	Chicago, Ill., to Niles, Mich.; Joliet, Ill., to Benton Harbor, Mich.
Minneapolis, St. Paul & Sault Ste. Marie Ry.	Chicago to Des Plaines, Ill.
New York Central R. R.	Chicago, Ill., to Goshen, Ind.; Chicago, Ill., to Danville, Ill.; South Bend, Ind., to Howe, Ill.
New York, Chicago & St. Louis R. R.	Chicago, Ill., to Wheeler, Ind.
Pennsylvania Co.	Chicago, Ill., to Wheeler, Ind.; Bernice, Ill., to East Chicago, Ind.
Pere Marquette Ry.	Chicago, Ill., to Benton Harbor, Mich.; Thomaston, Ind., to Belfast, Ind.; Scottdale to Buchanan, Mich.
Pittsburgh, Cincinnati, Chicago & St. Louis Ry.	Chicago, Ill., to Hartsdale, Ind.
St. Joseph Steamship Co.	St. Joseph, Mich.
Vandalia R. R.	South Bend, Nutwood, Lakeville, La Paz Junction, and Harris, Ind.
Wabash Ry.	Chicago, Ill., to Lakeville, Ind.; Western Indiana Junction, Ind., to Manhattan, Ill.

Milwaukee Rates

Chicago & North Western Ry.	Evanston, Ill., to Bay View, Wis.; Milwaukee and White Fish Bay, Wis.; Blodgett, Techny, Northfield, and Niles Center, Ill.
Chicago, Milwaukee & St. Paul Ry.	Racine to Dover, Wis. Burlington to Templeton, Wis.
Chicago, Racine & Milwaukee Lines Steamers	Milwaukee, Wis.
Elgin, Joliet & Eastern Ry.	Lake Zurich to Waukegan, Ill.
Goodrich Transit Co.	Milwaukee and Racine, Wis.
Grand Trunk Ry. System	Milwaukee, Wis., via across-lake route
Hill Steamboat Line	Kenosha, Wis., and Waukegan, Ill.
Minneapolis, St. Paul & Sault Ste. Marie Ry.	Feethanville, Ill., to Milwaukee, Wis., inclusive
Pere Marquette Ry.	Milwaukee, Wis., via across-lake route

In so far as this procedure is concerned, there is a lack of uniformity. This is evidenced by the fact that the Chicago, Indiana & Southern Railroad (now part of the New York Central Railroad) extends the Chicago adjustment as far south as Danville, Ill., and from South Bend, Ind., on the east, to and including Howe, Ill. (which is near Streator), on the west. Likewise, the New York Central Railroad extends the application to and including Goshen, Ind., on the east. On the other hand, the Baltimore & Ohio System, which may be considered a competitor of the former, extends the application to Gary, Ind., which is in the switching limit of Chicago.

This does not mean, however, that the Baltimore & Ohio System does not extend the Chicago rates as far east as the New York Central Railroad, but that it has not placed the publication of the rates from all its stations included in this group under the jurisdiction of this committee, preferring to arrange for the publication of rates from additional points itself.

GROUPING OF POINTS OF DESTINATION

The same course is followed with respect to points of destination, the application of the Cincinnati rates being extended, so far as the terminal lines are concerned, to include stations at no small distance from Cincinnati or other Ohio River Crossings. The list of the groupings appears in Table 9.

TABLE 9
POINTS OF DESTINATION
Cincinnati Rates

NAME OF RAILROAD	STATIONS
Baltimore & Ohio Southwestern R. R.	Aurora, Ind., to Loveland, Ohio, inclusive; Butlerville to Cochrane, Ind., inclusive
Chesapeake & Ohio Ry.	Covington, Dayton, Newport, and Bellevue, Ky.

TABLE 9—Continued**POINTS OF DESTINATION**

NAME OF RAILROAD	STATIONS
Chesapeake & Ohio Ry. of Indiana	Cincinnati, Brighton, Summit, Bridgetown, and Miami, Ohio
Cincinnati, Hamilton & Dayton Ry.	Cincinnati to Schenck, Ohio, inclusive
Cincinnati, Lebanon & Northern Ry.	Cincinnati to Lebanon, Ohio, inclusive
Cincinnati Northern R. R.	Cincinnati to Lockland and Cleves, Ohio, inclusive
Cleveland, Cincinnati, Chicago & St. Louis Ry.	Cincinnati to Lockland, Ohio, and Aurora, Ind., inclusive
Pittsburgh, Cincinnati, Chicago & St. Louis Ry.	Cincinnati to Oregonia, Ohio, inclusive

Evansville Rates

Chicago & Eastern Illinois R. R.	Mt. Vernon and Evansville, Ind., to but not including Vincennes, Ind.
Cleveland, Cincinnati, Chicago & St. Louis Ry.	Evansville, Ind., to but not including Mt. Carmel, Ill.
Illinois Central R. R.	Evansville to Hovey, Ind., inclusive; Riverton to Lenore, Ind., inclusive
Louisville & Nashville R. R.	Evansville and Mt. Vernon, Ind.
Louisville, Henderson & St. Louis Ry.	Evansville, Ind.
Louisville, New Albany & Corydon R. R.	Nevin and Corydon, Ind.
Southern Ry.	Evansville to Norton, Ind., inclusive; East Mt. Carmel to Parkwood, Ind., inclusive

Indianapolis Rates

Chicago, Indianapolis & Louisville Ry.	Indianapolis, Ind.
Cincinnati, Hamilton & Dayton Ry.	Indianapolis to Roachdale, Ind.
Cleveland, Cincinnati, Chicago & St. Louis Ry.	Beech Grove, North Indianapolis, Sunnyside, West Side, and Indianapolis, Ind.
Illinois Central R. R.	Indianapolis, Ind.
Lake Erie & Western R. R.	Indianapolis to Atlanta, Ind.
Pittsburgh, Cincinnati, Chicago & St. Louis Ry.	Indianapolis, Ind.
Vandalia R. R.	Indianapolis, Ind.

Jeffersonville Rates

Baltimore & Ohio Southwestern R. R.	Jeffersonville, Ind.
Cleveland, Cincinnati, Chicago & St. Louis Ry.	Jeffersonville, Ind.
Pittsburgh, Cincinnati, Chicago & St. Louis Ry.	Jeffersonville, Ind.
Southern Ry.	Jeffersonville, Ind.

Louisville Rates

Baltimore & Ohio Southwestern R. R.	Louisville, Ky.
Chicago, Indianapolis & Louisville Ry.	Louisville, Ky.

TABLE 9—Continued

POINTS OF DESTINATION

NAME OF RAILROAD	STATIONS
Cleveland, Cincinnati, Chicago & St. Louis Ry.	Louisville, Ky.
Louisville, Henderson & St. Louis Ry.	Louisville, Ky.
Southern Ry.	Louisville, Ky.
New Albany Rates	
Baltimore & Ohio Southwestern R. R.	New Albany to Lovett, Ind., inclusive
Chicago, Indianapolis & Louisville Ry.	New Albany, Ind.
Southern Ry.	New Albany, Ind.
Owensboro Rates	
Louisville & Nashville R. R.	Henderson and Owensboro, Ky.
Louisville, Henderson & St. Louis Ry.	Henderson, Maceo, Owensboro, and Stanley, Ky.

The slight difference existing between the rates to the upper and the lower Ohio River Crossings, while of no particular importance in connection with local traffic, would, in many cases where competitive traffic is concerned, be sufficient to control the gateway through which the traffic is forwarded.

Diagram 7 indicates several of the through routes which might be employed in forwarding goods to Chattanooga, Tenn. The fact that the rates from the south-bank points to Chattanooga are the same, whether the traffic moves through Cairo, Ill., Louisville, Ky., or Cincinnati, Ohio, necessitates that the rates up to the crossings be the same in order that all routes may be placed on a parity in so far as transportation charges are concerned. The rates currently maintained from the several groups of origin to the Ohio River Crossings are shown in Table 10.

68 FREIGHT RATES—OFFICIAL TERRITORY

TABLE 10

CLASS RATES FROM NORTHERN POINTS OF ORIGIN TO OHIO RIVER CROSSINGS

FROM	TO	RATES IN CENTS PER 100 POUNDS									
		Classes									
		1	2	3	4	5	6	R25	R26	R28	
Chicago, Ill.	Indianapolis, Ind..	45	38.5	30	22.5	16	12.5	32.5	24	25	
	Cincinnati, Ohio..	51	43.5	34	25.5	18	14.5	37	27	28.5	
	Evansville, Ind..	52	44	35	26	18	14.5	37.5	28	29	
	Jeffersonville, Ind.	53	45	36	27	19	15.5	38.5	29	30	
	New Albany, Ind.	58.5	50	39	30.5	21	17.5	42.5	31	33.5	
	Louisville, Ky.....										
Peoria, Ill.	Owensboro, Ky....	47	40	31.5	23.5	16.5	13	34	25	26.5	
	Indianapolis, Ind..	54	46	36	27	19	15	39	29	30	
	Cincinnati, Ohio..	51	43.5	34	25.5	18	14.5	37	27	28.5	
	Evansville, Ind....	54	46	36	27	19	15	39	29	30	
	Jeffersonville, Ind.	55	47	37	28	20	16	40	30	31	
	New Albany, Ind.	58.5	50	39	30.5	21	17.5	42.5	32	33.5	
Milwaukee, Wis.	Louisville, Ky.....	51	43.5	34	25.5	18	14.5	37	27	28.5	
	Owensboro, Ky....	57	48.5	38	28.5	20	16.5	41	31	32	
	Indianapolis, Ind..	58	49	39	29	20	16.5	41.5	31	32.5	
	Cincinnati, Ohio..	59	50	40	30	21	17.5	42.5	32	33.5	
	Evansville, Ind....	64.5	55	43	33.5	23	19.5	47	34.5	37	
	Jeffersonville, Ind.										
Davenport, Ia.	New Albany, Ind.	58.5	49.5	39.5	29.5	21	17.5	42	31.5	33	
	Louisville, Ky.....	63	53.5	42	31.5	22.5	18.5	45.5	33.5	35.5	
	Owensboro, Ky....	61	53	39.5	30.5	23	19.5	45	31.5	33.5	
	Indianapolis, Ind..	61	53	39.5	30.5	23	19.5	45	31.5	33.5	
	Cincinnati, Ohio..	62	54	40.5	31.5	24	20.5	46	32.5	34.5	
	Evansville, Ind....	68.5	59.5	44.5	35.5	26	22.5	50.5	36.5	38.5	
Indianapolis, Ind.	Jeffersonville, Ind.	33.5	30	24	18	12.5	10	25.5	19	20	
	New Albany, Ind.	42.5	36	28.5	21.5	15	12	30.5	23	24	
	Louisville, Ky.....	35.5	30	24	18	12.5	10	25.5	19	20	
	Owensboro, Ky....	35.5	30	24	18	12.5	10	25.5	19	20	
	Indianapolis, Ind..	36.5	31	25	19	13.5	11	26.5	20	21	
	Cincinnati, Ohio..	50	42.5	33.5	26.5	18	15	36	28.5	29	

¹ Rates from all points except Indianapolis are governed by the Southern Classification. Rates from Indianapolis, however, are governed by the Official Classification.

² If the rates named from Chicago governed by the Southern Classification make a lower charge on shipments than the rates named from Indianapolis governed by the Official Classification, such lower charge applies from Indianapolis.

These rates apply only to the north-bank crossings. The rates to the south-bank crossings are made arbitrary or bridge tolls higher than the north-bank rates,

the rates to Louisville, Ky., generally being 1 cent per 100 pounds higher than the rates to Jeffersonville or New Albany, Ind., and the rates to Paducah, Ky., being 2 cents per 100 pounds higher than the rates to Brookport, Ill. In the case of Louisville, the figure represents the bridge toll, as previously explained, and in the case of Paducah, the cost of ferry or transfer in the interchange of traffic between north-bank and south-bank lines.

In the application of the rates under this adjustment, they are confined to the crossings proper and not applied to intermediate or interior points.

As to originating points, however, additional groups are incorporated, as may be seen from Table 10, namely, the Davenport and Peoria groups. This greatly increases the area on the north and west from which these rates are applied.

The volume of northbound classified traffic¹ is much less than that in the opposite direction. This is reflected in the fact that the northbound rates are somewhat higher than the rates in the opposite direction.

In conclusion, the foregoing indicates, to a great degree, the influence that competition of various kinds exerts upon the freight rate structures of this country.

¹ Traffic moving on class rates.

CHAPTER VI

ADJUSTMENT IN TRUNK LINE FREIGHT ASSOCIATION TERRITORY

DEVELOPMENT

Formerly, there were many distance tables used as a basis for rates by the carriers in Trunk Line Territory. More recently, however, most of these distance tables have been published as specific rates, although the specific rates are, in most cases, identical with the old distance tables. There are a number of distance tariffs still applicable on the eastbound movement of coal within Trunk Line Territory.

Specific rates differ from distance tables in that a rate is named specifically to apply from, say, New York City to Buffalo, N. Y., irrespective of the distance, whereas in the distance table, graduated rates are indicated, as shown in the Central Freight Association, Michigan, and Illinois scales, involving the determination of the distance before the rate can be known.

The distance tables employed in this territory, contrary to those employed in Central Freight Association Territory, are by no means uniform; that is, one carrier's scale for a 5-mile or a 10-mile distance may vary considerably from that employed by another line.

A survey of this territory from the *Atlas of Railway Traffic Maps* will suffice to show that the rail carriers are exposed to a great degree to the influence of active and compelling water competition. The Hudson River

and Atlantic Ocean are on the east, and the Erie Canal and Great Lakes are on the north. The coast line is pierced by the Susquehanna, Delaware and Potomac rivers, which penerate far into the interior of the territory and afford navigable stages of water during the greater part of the year.

As an example, the rates between New York and Newburgh, Poughkeepsie, Albany, and other landings on the Hudson River will be found to be quite low. This is accounted for by the fact that the rail lines are compelled to meet the active competition of the boat lines. Add to this the highly developed competition of the numerous electric interurban lines and the fact that the motor truck has expanded considerably the limit of industrial and commercial delivery service, and the reason for the lack of uniformity in the various distance scales adopted by the individual carriers may be readily appreciated.

Representative water rates from New York, which, however, are more or less subject to fluctuation, are reproduced in Table 11 to give an idea of the low rates that obtain between the respective port cities in this territory.

TABLE 11

CLASS RATES APPLICABLE VIA WATER LINES¹ FROM NEW YORK CITY

FROM NEW YORK TO	RATES ² IN CENTS PER 100 POUNDS					
	Classes					
	1	2	3	4	5	6
Utica, N. Y.	17	16	14	12	11	10
Syracuse, N. Y.	20	18	15	12	11	10
Rochester, N. Y.						
Buffalo, N. Y.	21	19	15	12	11	10
Cleveland, Ohio.	40	35	28	19	17	15
Detroit, Mich.	41	37	29	20	17	16

¹ Via New York and Western Canal Co., Inc.² Governed by the Official Classification.

As a rule, the boat lines dominate the rates to points they serve and the rail lines must determine what higher rates the rail service can command.

As many of the more important points are near each other, it is not surprising to find express companies operating horse-drawn or motor-propelled vehicles competing for the trade of these communities. Especially is this true in the case of New York, Philadelphia, and Boston. The field of their activities is limited, of course, in that they cannot move the quantities of crude articles that can be transported by rail or vessel, but in connection with package freight, they may be viewed as aggressive competitors. Particularly where the higher-class (small-package) traffic is concerned, the railroads must take this competition into account in adjusting their schedules.

ADJUSTMENT TO INTERIOR POINTS

The present adjustment of rates to interior points bears a general relationship to the rates applying between Chicago and New York. The rates between New York rate points and Pittsburgh-Erie rate points are made 60 per cent of the rates currently in effect between New York and Chicago. For the six classes, they are on the following scale:

Classes	1	2	3	4	5	6
Rates	54	47.5	36	25	21.5	18

Between Philadelphia rate points and Pittsburgh-Erie rate points, the rates for the six classes are arbitrarily made by the deduction of specified differentials from the rates applying from New York to the Pittsburgh-Erie group. The differentials are as follows:

Classes	1	2	3	4	5	6
Differentials	6	6	2	2	2	2

Likewise, between Baltimore rate points and Pittsburgh-Erie rate points, the rates are made by deducting the fol-

ADJUSTMENT IN TRUNK LINE TERRITORY 73

lowing differentials from the rates applying between New York and the Pittsburgh-Erie group:

Classes	1	2	3	4	5	6
Differentials	8	8	3	3	3	3

Table 12 sets forth the adjustment of rates applying to and from the so-called Western Termini from and to other seaports and interior base points in Trunk Line Territory.

TABLE 12

BASES FOR RATES FROM EASTERN POINTS OF ORIGIN TO OR FROM WESTERN TERMINI

ITEM	RATES APPLY		IN CENTS PER 100 POUNDS						REMARKS
			Classes						
			1	2	3	4	5	6	
Between									
1	Boston, Mass. Portland, Me. Brunswick, Me. Hartford, Conn.	Pittsburgh-Erie rate points	5	4	3	3	2½	2	Over rates from Pittsburgh or Erie to New York
		Buffalo rate points	5	5	2½	2½	2½	2	Over rates from Buffalo, N. Y., to New York
2	New York, N. Y.	Pittsburgh-Erie rate points							60 per cent of Chicago-New York rates
		Buffalo rate points	48	41.5	34	23	19.5	16	Erie-Philadelphia rates
3	Philadelphia, Pa.	Pittsburgh-Erie rate points	6	6	2	2	2	2	Under New York rates
		Buffalo rate points							Philadelphia-Erie rates
4	Baltimore, Md.	Pittsburgh-Erie rate points	8	8	3	3	3	3	Under New York rates
		Buffalo rate points							Philadelphia-Erie rates
Eastbound									
5	Albany, N. Y.	Pittsburgh rate points							Pittsburgh-New York rates
		Erie rate points							92 per cent of Erie-New York rates

74 FREIGHT RATES—OFFICIAL TERRITORY

TABLE 12—Continued

BASES FOR RATES FROM EASTERN POINTS OF ORIGIN TO OR FROM
WESTERN TERMINI

ITEM	RATES APPLY		IN CENTS PER 100 POUNDS						REMARKS
			Classes						
			1	2	3	4	5	6	
Westbound									
6	Albany, N. Y.	Pittsburgh-Erie rate points							Class rates same as Philadelphia-Pittsburgh rates; commodity rates 80 per cent of New York-Pittsburgh rates
Eastbound									
7	Utica, N. Y.	Pittsburgh rate points							92 per cent of Pittsburgh-New York rates
		Erie rate points							80 per cent of Erie-New York rates
Westbound									
8	Utica, N. Y.	Pittsburgh-Erie rate points							Class rates same as Philadelphia-Pittsburgh rates; commodity rates 80 per cent of New York-Pittsburgh rates
Eastbound									
9	Syracuse, N. Y.	Pittsburgh rate points							84 per cent of Pittsburgh-New York rates
		Erie rate points							75 per cent of Erie-New York rates
Westbound									
10	Syracuse, N. Y.	Pittsburgh-Erie rate points							Class rates same as Syracuse-Cleveland rates; commodity rates 70 per cent of New York-Pittsburgh rates
Eastbound									
11	Rochester, N. Y.	Pittsburgh rate points							72 per cent of Pittsburgh-New York rates
		Erie rate points							62 per cent of Erie-New York rates

TABLE 12—Continued

BASES FOR RATES FROM EASTERN POINTS OF ORIGIN TO OR FROM
WESTERN TERMINI

ITEM	RATES APPLY		IN CENTS PER 100 POUNDS						REMARKS
			Classes						
			1	2	3	4	5	6	
	Westbound								
2	Rochester, N. Y.	Pittsburgh-Erie rate points							Same as rates from Syracuse
	Between								
		Pittsburgh rate points							Same rates as from Columbus, Ohio, to Balti- more
3	Virginia Cities	Buffalo, Dunkirk, and interior New York state points	20	17	13	9	8	6	Over Baltimore rates

The bases for the construction of rates delineated in items 1, 2, 3, 4, and 13 of Table 12 apply to both eastbound and westbound rates, whereas the bases shown in the remaining items apply only in the direction indicated.

The first item shows that the rates between the Pittsburgh-Erie group and the more important New England points are made by the addition of arbitraries to the rates which apply between the Pittsburgh-Erie group and New York. Similarly, the rates between these points and Buffalo are made by the addition of the figures indicated to the rates which apply between New York and Buffalo. For example, item 2 shows that the rates between Buffalo and New York are on a 48-cent scale. These rates are arbitrarily established on a somewhat lower basis than that which obtains between New York and the Pittsburgh-Erie group, being the Philadelphia-Erie rates. This depression in rates is ascribed to the competition between the rail lines and the water lines operating on the Erie Canal and Hudson River. The rates between Buffalo and Boston are made by adding the arbitraries indicated in

item 1 to the New York rates indicated in item 2, resulting in through rates as follows:

Classes	1	2	3	4	5	6
Rates	53	46.5	36.5	24.5	22	18

Taking the next item in the table, the rates are made in a similar manner, namely, by deducting the figures indicated from the rates that are established between the Pittsburgh-Erie group and New York. The New York rates are made 60 per cent of the Chicago-New York rates, which are as follows:

Classes	1	2	3	4	5	6
Rates	90	79	60	42	36	30

The following figures represent the rates between the Pittsburgh-Erie group and New York.

Classes	1	2	3	4	5	6
Rates	54	47.5	36	25	21.5	18

By deducting the differentials previously set forth, the following rates are arrived at, which apply between the Pittsburgh-Erie group and Philadelphia:

Classes	1	2	3	4	5	6
Rates	48	41.5	34	23	19.5	16

These rates are also applied between Buffalo and Philadelphia.

The Baltimore, Md., rates are similarly obtained, with the exception that the differentials on the first-class and second-class rates are increased 2 cents and on the lower classes 1 cent per 100 pounds, resulting in a corresponding difference in the net rates.

From Buffalo, N. Y., to Albany, Utica, Syracuse, and Rochester, N. Y., no specific adjustment is established. As the New York Central Railroad is the short line to these points they are subject to the dictates of that line as to what rates will be established. As a rule, they are made

on the mileage scale adopted for the particular division of that railroad.

The traffic from the Erie-Pittsburgh group, however, is competitive and may select several routes via which to move. Particular attention is directed to the fact that the adjustment prescribed varies according to the direction of the traffic. Consequently, care should be taken to observe whether the rates desired are those applicable on eastbound or on westbound traffic.

Taking the Albany adjustment, assume that it is desired to construct the second-class rate from Pittsburgh to Albany. The first section of the item states that the rates are the same as the Pittsburgh-New York rates. As these rates are made 60 per cent of the Chicago-New York rates, by taking 60 per cent of 79, 47.5 cents is obtained as the second-class rate from Pittsburgh to Albany. If the direction of the traffic were westbound instead of eastbound, the rate would be made the same as that from Philadelphia to Pittsburgh, namely, 41.5 cents.

The distance to Utica, N. Y., from Erie and Pittsburgh being substantially the same, the bases used in obtaining the westbound rates between these points are approximately the same as those applied in the Albany adjustment. Consequently, the illustration given there will suffice for this point as well.

The westbound adjustment of rates from Syracuse, N. Y., to the Pittsburgh-Erie rate groups is somewhat more complicated than the preceding adjustments set forth in the table in that it requires the construction of the rates to Cleveland, Ohio (a Central Freight Association point). This adjustment is discussed in a later chapter in this treatise, but for the purpose of illustrating the feature at hand, it seems well to give an illustration of it at this time. Map 3 of the *Atlas of Railway Traffic Maps* indicates that Cleveland, Ohio, is in 71 per cent territory. Consequently, the rates from New York to Cleveland,

78 FREIGHT RATES—OFFICIAL TERRITORY

which are the base rates for subsequent computation, must first be ascertained. This is done by taking 71 per cent of the New York-Chicago rates, resulting in the following scale.¹

Classes	1	2	3	4	5	6
Rates	64	56	42.5	30	25.5	21.5

The rates from Syracuse to Cleveland are the following amounts less than from the New York-Cleveland rates:²

Classes	1	2	3	4	5	6
Differentials	18.1	15.9	13.1	9.3	7.7	6.1

the rates from Syracuse to Cleveland being as follows:

Classes	1	2	3	4	5	6
Rates	46	40	29.5	20.5	18	15.5

In some instances the carriers establish rates which vary with the direction of the movement. The business from Syracuse to Erie may be relatively unimportant and little or no traffic actually involved, whereas the east-bound movement may be heavy, and a somewhat lower rate would therefore be justified.

What has been said in connection with the Syracuse adjustment holds good in so far as the Rochester, N. Y., adjustment is concerned.

The rates between the Virginia Cities and Pittsburgh are made the same as those applying from Columbus, Ohio, (a 77 per cent point) to Baltimore, Md. The rates between Buffalo, Dunkirk, and interior New York state points are made by the addition of arbitraries to the rates between the same points and Baltimore. The through rates between Buffalo and Newport News, Va., are as follows:

Classes	1	2	3	4	5	6
Rates	66.5	58	43	29.5	24.5	20

¹ See Table 17.

² See Table 19.

From points located in Trunk Line Territory, other than those mentioned, the rates are made on the mileage scales of the carriers, the rates established to and from more distant points not being exceeded at intermediate points. The figures so made are observed as far as possible.

COMMODITY RATES

Aside from coal, lumber, and iron, there are comparatively few commodity adjustments employed within this territory as contrasted with other sections of the country. There are, however, numerous commodity rates established on traffic imported through the North Atlantic Ports, which are somewhat less than the class rates that would obtain. In the application of rates, the general rule for the use of the differentials is that when the commodity rate is the same as a class rate, the class differential applicable to that class shall be added or subtracted, as indicated; but when the commodity rate is not the same as a class rate, the differential for the next higher class is to be employed. For the purpose of illustration, suppose that a commodity rate of 40 cents is established from Buffalo to New York; as this rate is higher than the third-class rate, the second-class differential of 5 cents would be used in making the rate to Boston.

CHAPTER VII

ADJUSTMENT IN NEW ENGLAND FREIGHT ASSOCIATION TERRITORY

TRAFFIC CHARACTERISTICS

This territory, surrounded almost entirely by navigable water and comprising, as it does, the smallest rate association territory in so far as area is concerned, presents in its rate structure many of the peculiarities found in the Trunk Line adjustment that are forced on the rail carriers in order to equalize the effect of the water competition.¹

The southern tier of states (Massachusetts, Rhode Island, and Connecticut) supports the greatest per cent of population and in it are located the greater number of the large manufacturing plants, textile mills, and other industries for which the New England group of states is noted. Two of the largest cities in the country are located therein and offer profitable markets at which to dispose of the manufactured wares.

Owing to the location of these cities, Boston on the east and New York on the west, the average length of haul on traffic between points in this territory is very much less than obtains in other sections of the country.

As illustrating the general traffic conditions that obtain in the New England States, the conclusions of the Interstate Commerce Commission, based on the investigations of that body with respect to the operation and practices of carriers in this territory, are especially illuminating and for that reason are here reproduced.

¹ See Map 3, *Atlas of Railway Traffic Maps*.

RATES OF TRANSPORTATION

For many years the railroad monopoly of New England has been more complete than in any other considerable section of this country. The Boston & Maine has almost exclusively occupied the northern portion of that section, while the New Haven has enjoyed the same exclusive privileges in the south. It is interesting to inquire how the rates of transportation, both freight and passenger, there compare with other parts of the country.

The average receipts per ton-mile upon the New Haven Railroad for the year 1911 were 1.39 cents. This is probably a higher per ton-mile average than is shown by any other large railroad system in the United States. It does not, however, follow from this that the rates under which that road operates are therefore higher.

This is well illustrated by a reference to the same figure upon the Boston & Maine. In 1900 the ton-mile receipts of that system were 1.439 cents, somewhat greater than those then or now upon the New Haven. In 1901 that figure had fallen to 1.134 cents, the reason being that, beginning July 1, 1900, the Boston & Maine began to operate and so included in its return to this Commission for that year the Fitchburg Railroad. That railroad handles a large amount of through traffic of a low grade and paying a low rate, and this tends to reduce the average rate which for that company in 1900, the year before it was absorbed by the Boston & Maine, had been 0.798. For the year 1911 the ton-mile receipts of the Boston & Maine were 1.095 cents.

While, therefore, the average ton-mile receipts of the New England railroads are probably higher than those in any other section of this country where traffic conditions are fairly comparable with New England, this figure has but slight significance as bearing upon the relative transportation charge. . . .

For the purpose of the comparison representative cities located in . . . various sections have been selected, namely, Boston, New York, Pittsburgh, Cincinnati, and Chicago. Rates from Boston are exclusively within the limits of New England; from New York they apply both into New England upon the east and into trunk line territory upon the west; from Pittsburgh we have rates into trunk line territory going east and into Central Freight Association Territory going west. Cincinnati and Chicago are exclusively in Central Freight Association Territory, save that rates have been examined from Cincinnati south into southern territory.

In addition to the principal cities above selected we have also taken certain smaller towns—in New England, Burlington,

Vt., and Concord, N. H.; in trunk line territory, Schenectady, N. Y., and Scranton, Pa.; in Central Freight Association Territory, Akron, Ohio, and Springfield, Ill.

The rates selected for purposes of comparison have been, first of all, the class rates. While in the three territories under consideration many commodity rates are in effect which are less than the class rates and which move an enormous volume of traffic and are of vital consequence to the communities served, still the preponderating movement of merchandise traffic, strictly speaking, is under the class rates or under rates which are a percentage of the class rates, so that the most comprehensive and fairest comparison probably arises upon a statement of the relative class rates.

Generalizing the results of these comparisons, without attempting to give the figures themselves, we find that class rates in Central Freight Association Territory are distinctly lower than in New England, especially on classes 5 and 6. These two classes move a very large amount of carload traffic, being the two classes which apply very generally to carload business. Class rates from New York and Boston to New England points are about the same as those from New York and Pittsburgh into trunk line territory.

Class rates from interior New England points appear to be rather higher than corresponding rates in both trunk line and Central Freight Association Territories.

We have also instituted a comparison between rates from these same points on three or four of the principal commodities.

Coal is not produced in New England, but is extensively consumed. Coal rates from the various seaports of New England to near-by interior points are uniformly high as compared with rates for similar distances in the other territories under consideration. Rates to more distant interior points are not so extravagant and are often low. The reason for this appears to be that coal reaches the various ports of New England by water and is from thence distributed by rail. This water-and-rail route competes with the all-rail route, and the purpose of these high rates to near-by points is to maintain the all-rail rate.

What has been said as to coal applies to pig iron. The rail rate to the near-by point is usually extremely high, and for the same reason apparently.

Lumber is largely produced in New England, and the rates upon that commodity between points in New England compare favorably with those in trunk line and Central Freight Association territories for like distances.

Rates on grain are much higher in New England than in these other territories, but this is not a matter of much signifi-

ADJUSTMENT IN NEW ENGLAND TERRITORY 31

cance, since comparatively little grain is raised in New England which is subsequently transported by rail. The grain which New England consumes comes mainly from the west upon rates which must be considered low.

Hay is largely produced and transported in New England, and the rates upon this commodity are rather more favorable than in the other territories. Generally speaking, hay moves under the fifth-class rate, but in New England the bulk of the movement is under commodity rates, lower than this class rate.

Our examination, which has been a rather extended one, fairly indicates that freight rates between points in New England, while somewhat higher in many instances, compare favorably upon the whole with those in trunk line territory and Central Freight Association Territory. They are lower than corresponding interstate rates in other parts of the country, although not as low in some instances as the commission made rates of several states in this outside territory.

It should be noted in this connection that the cost of handling freight is greater in New England than in trunk line and Central Freight Association Territory and, indeed, in most other parts of the country.

1. The haul in New England is shorter .93 miles as against 138 miles in the United States as a whole.

2. The switching service in New England is much greater. The proportion of locomotive switching mileage to locomotive freight mileage is 59 per cent in New England, as compared with 43 per cent in the whole country.

3. The loading in New England is lighter. The average load, including both loaded and empty cars, is 10.5 tons per car in New England, as compared with 13.4 in the United States. The average load per loaded car is 14.8 tons in New England as against nearly 20 for the United States.

4. The price of coal in New England is distinctly higher. The defendants claim that had the Boston & Maine been able to own its coal upon its tenders at the same price as the Pennsylvania Railroad its operating expenses for the year 1912 would have been \$2,500,000 less than they were. Without subscribing to the accuracy of this figure, it is certain that the greater expense of fuel adds materially to the cost of operation in New England as compared with most other portions of the United States.²

In explanation of the low rates charged by both water and rail lines, it is necessary only to call attention to the

² 27 I. C. C. Rep. 572-76 (1913).

fact that New England is quite a distance from the sources of supply of raw materials that are necessary to enable the mills and manufactories located in the territory to continue their operations. New England is famed for the manufacture of boots, shoes, leather goods, textiles, and machinery, but there is a very small production of live stock and in consequence the hides from which the finished product is made must be bought from other sections. The same holds good with respect to cotton, wool, and iron, from which it may be seen that the area itself produces but little of the crude or raw materials. Consequently, the bases of rates must be such, and the rates themselves so adjusted, as to make possible the assembling of raw materials at points of manufacture, such as the shoe factory, the textile mill, and the cutlery factory, and the distribution of finished articles to other points at a profit.

It is not surprising, therefore, that as a whole this system of rates meets with general satisfaction and is subject to less complaint on the part of the shipping public than any other in the country. Practically the only grounds for complaint have been the fixing of the so-called differential adjustment of rates from and to points in Trunk Line and Central Freight Association territories, which, it is alleged, places Boston at a disadvantage as compared with New York, Philadelphia, Baltimore, and other North Atlantic Ports. This phase of the question, however, is taken up in the adjustment of rates under the percentage system, which is set forth in a later chapter of this treatise.

THE NEW ENGLAND SCALE OF CLASS RATES

As illustrative of the general measure of rates in this territory, that obtaining on the Boston and Maine Railroad affords a very excellent basis, as it is not only one of the most recent (having been made effective April 1,

ADJUSTMENT IN NEW ENGLAND TERRITORY 85

1914), but also scientifically arranged in that the lower classes bear a definite relationship to the first class.

This scale was adopted after protracted hearings which were participated in jointly by the Interstate Commerce Commission, the public service commissions of several states, and the representatives of the carriers and the public.

TABLE 13

MILEAGE SCHEDULE OF CLASS RATES¹ FOR USE ON CLASS-A ROADS²

MILES	1	2	3	4	5	6	MILES	1	2	3	4	5	6
5...	20.5	17.5	13.5	10.5	7	5.5	200...	48.5	41	32.5	24.5	17	13.5
10...	22	18.5	14.5	11	7.5	6	210...	49	41.5	33	24.5	17	13.5
15...	23	19.5	15.5	11.5	8	6.5	220...	49.5	42	33	25	17.5	14
20...	24	20.5	16	12	8.5	6.5	230...	50	42.5	33.5	25	17.5	14
25...	25.5	21.5	17	13	9	7	240...	50.5	43	34	25.5	17.5	14
30...	26.5	22.5	18	13.5	9.5	7.5	250...	51	43.5	34	25.5	18	14.5
35...	27.5	23.5	18.5	14	9.5	7.5	260...	52	44	35	26	18	14.5
40...	29	24.5	19.5	14.5	10	8	270...	52.5	44.5	35	26.5	18.5	14.5
45...	30	25.5	20	15	10.5	8.5	280...	53	45	35.5	26.5	18.5	15
50...	31	26.5	21	15.5	11	8.5	290...	53.5	45.5	36	27	18.5	15
55...	31.5	27	21	16	11	9	300...	54	46	36	27	19	15
60...	32	27	21.5	16	11	9	320...	55	47	37	27.5	19.5	15.5
65...	33	28	22	16.5	11.5	9	340...	56.5	48	38	28.5	20	16
70...	33.5	28.5	22.5	17	11.5	9.5	360...	57.5	49	38.5	29	20	16
75...	34	29	23	17	12	9.5	380...	58.5	49.5	39	29.5	20.5	16.5
80...	34.5	29.5	23	17.5	12	9.5	400...	60	51	40	30	21	17
85...	35	30	23.5	17.5	12.5	10	420...	61	52	41	30.5	21.5	17
90...	35.5	30	24	18	12.5	10	440...	62	52.5	41.5	31	21.5	17.5
95...	36	30.5	24	18	12.5	10	460...	63	53.5	42	31.5	22	17.5
100...	37	31.5	25	18.5	13	10.5	480...	64.5	55	43	32.5	22.5	18
110...	38	32.5	25.5	19	13.5	10.5	500...	65.5	55.5	44	33	23	18.5
120...	39	33	26	19.5	13.5	11	520...	66.5	56.5	44.5	33.5	23.5	18.5
130...	40.5	34.5	27	20.5	14	11.5	540...	68	58	45.5	34	24	19
140...	41.5	35.5	28	21	14.5	11.5	560...	69	58.5	46	34.5	24	19.5
150...	42.5	36	28.5	21.5	15	12	580...	70	59.5	47	35	24.5	19.5
160...	43.5	37	29	22	15	12	600...	71.5	61	48	36	25	20
170...	45	38.5	30	22.5	16	12.5	620...	72.5	61.5	48.5	36.5	25.5	20.5
180...	46	39	31	23	16	13	640...	73.5	62.5	49	37	25.5	20.5
190...	47	40	31.5	23.5	16.5	13	660...	75	64	50	37.5	26	21

¹ Governed by the Official Classification.

² In the disposition of fractions, those of less than one-half cent were dropped and one-half cent and over rounded out to a full cent in arriving at the base rates in the scale.

It will be observed from Table 13 that the scale is based on 5-mile rates of progression from 5 to 100 miles, inclusive; on 10-mile rates of progression from 100 to 300 miles, inclusive; and on 20-mile rates of progression beyond.

CLASS RELATIONSHIP

Relationship existing between the various classes is predicated on the first-class rate, the first-class division being taken as the basic division and the other classes being constructed with relation thereto on the following percentages:

Class	2	3	4	5	6
Percentage	85	67	50	35	28

Rules 25, 26, and 28 are constructed on the basis authorized by the current Official Classification.

APPLICATION OF SCALE

The Class-A schedule set forth in Table 13 was designed primarily to apply between points located in the more densely situated district served by the Boston and Maine Railroad, as it was recognized by its designers that it would not yield an equitable return to the carriers if blanketed over the entire territory.

So far as the Boston and Maine Railroad is concerned, we have indicated in Diagram 8 the territory or divisions on which this scale of rates is applied by means of horizontal lines drawn across the respective divisions of those portions on which a Class-A scale of rates is applied.

CLASS-B RATES

For application in the more sparsely settled sections of the territory served by this railroad, it was decided that an increase of 10 per cent in the rates obtaining under

the Class-A adjustment would prove equitable both for the carrier and for the shipping public, and the rates were so made. This territory is indicated in Diagram 8 by the heavy black lines.

The Rates applicable before the present scale on hauls between A lines and B lines were on a constructive mileage basis, the actual distance traversed over a Class-A line being added to 125 per cent of the distance traversed over a Class-B line. Under the new scale, Class-B Rates will apply to all traffic moving to or from Class-B lines.

Between points in Class-B and Class-A the rate will be 10 per cent higher than the rates for hauls of the same length on Class-A lines.

Interline or joint rates are established on a slightly higher basis, but the underlying principles affecting the mileage and money rate of progression and the class relationship are the same.

In connection with the adjustment of rates in this territory, following the proposed horizontal increase of 5 per cent recently permitted by the Interstate Commerce Commission, Commissioner Harlan called attention to the fact that in this case the New England carriers sought approval of an increase only in the rates on traffic moving between New England Territory and other parts of Official Classification Territory. They did not propose a general 5 per cent increase in their intraterritorial freight rates. Those carriers undertook, instead, a general rate revision, which has since been largely effected through friendly conferences with state commissions and with shippers, and is now, by common consent of the public and state officials, being brought to a conclusion on a basis that will afford those lines a much larger additional net income than they could have secured through a 5 per cent increase in their freight rates. In other words, the New England lines have voluntarily pursued the only rational and reasonable course to augment their revenues,

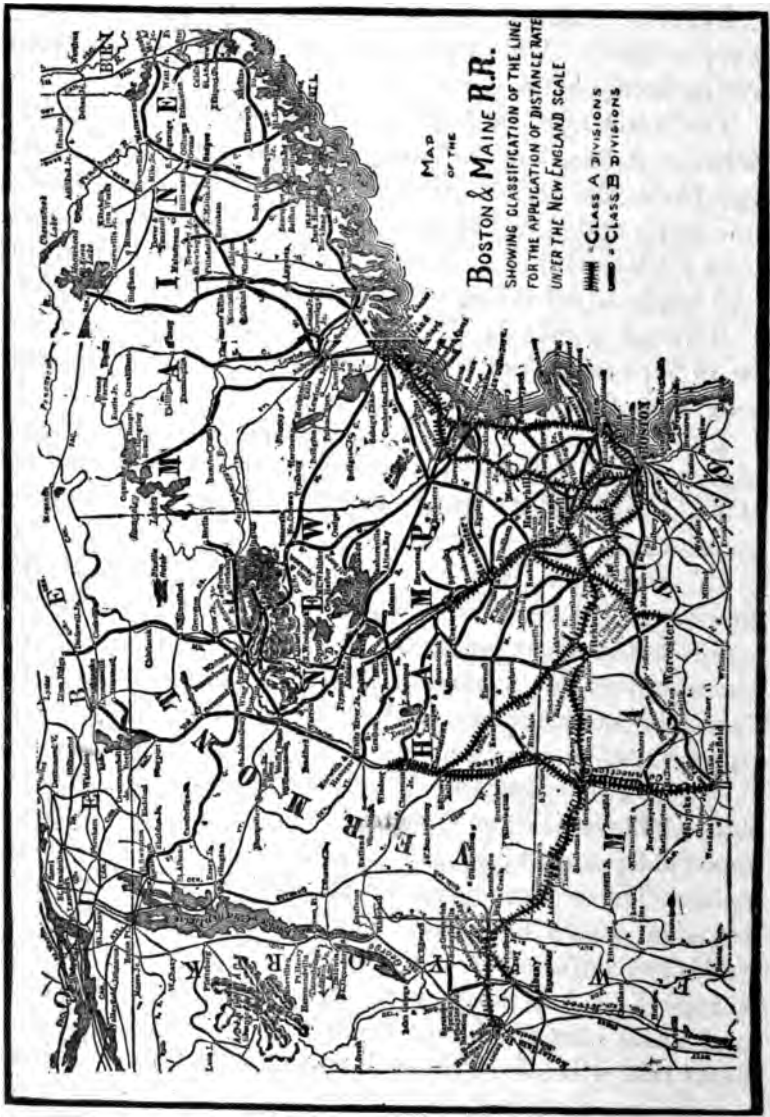


DIAGRAM 8

ADJUSTMENT IN NEW ENGLAND TERRITORY 89

this being the course urged upon the Central Freight Association lines and the course that those lines at the hearing admitted to be necessary in order to meet their real requirements.³

³ 32 I. C. C. Rep. 33.

TEST QUESTIONS

These questions are for the student to use in testing his knowledge of the assignment. The answers are not to be sent to the University.

1. Indicate several of the so-called overlaps of Official Classification Territory and the reasons therefor.
2. Define the organization and function of freight associations.
3. How does the railroad mileage and density of traffic in Official Classification Territory contrast with Western and Southern Classification territories?
4. What is the principal source of traffic in Official Classification Territory?
5. By whom are the intrastate rates in Illinois prescribed?
6. In the application of the Illinois scale of rates, how are the carriers of that state grouped?
7. Give an illustration of the construction of joint rates in Illinois.
8. To what extent are rates governed by the Official Classification applied on intrastate business, moving between points within the state of Michigan?
9. What is the basis employed in constructing rates between local points on the same railroad in the state of Michigan?
10. With what authority is the Public Service Commission of Ohio vested with regard to freight rates?
11. What scale of rates is applied to Indiana intrastate traffic?
12. To what extent is the Central Freight Association scale of rates applied?
13. Suppose A and B are in adjoining states and 426 miles apart, what scale of rates ordinarily would be applied?
14. How are short-line junction-point distances determined?
15. Give an illustration of the application of a basing-point rate to intermediate points.

